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HIRING FINANCIAL ADVISORS AND THE INFLUENCE IN MERGERS AND ACQUISITIONS TRANSACTIONS

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A INFLUÊNCIA DA CONTRATAÇÃO DE ASSESSORES FINANCEIROS EM TRANSAÇÕES DE FUSÕES E AQUISIÇÕES

HIRING FINANCIAL ADVISORS AND THE INFLUENCE IN MERGERS AND ACQUISITIONS TRANSACTIONS

Tese apresentada ao Programa de Pós-Graduação em Administração da Universidade Nove de Julho – UNINOVE, como requisito parcial para obtenção do grau de **Doutor em Administração**.

Orientadora: Profa. Dra. Heidy Rodriguez Ramos

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POR

LUCIANA OROZCO DE GOUVEIA

Tese apresentada ao Programa de Pós-Graduação em Administração - PPGA da Universidade Nove de Julho – UNINOVE, como requisito parcial para obtenção do título de Doutora em Administração, sendo a banca examinadora formada por:

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DEDICATION

To my parents who taught me the value
of studying and who encouraged me to
develop my academic status.

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I thank God, for existing, accompanying and illuminating each day of my life.

To my boyfriend, Loveley, for being a great listener, patient, partner and for encouraging me to never give up not only on this dream, but many others.

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RESUMO

Mesmo com o aumento do número de transações de fusões e aquisições (F&A) no mundo e pela relevância do tema na estratégia da Companhia ainda não se sabe o que motiva a contratação de assessores financeiros. Nesta tese, proponho testar alguns aspectos que podem afetar a contratação de um assessor financeiro em uma transação de F&A. Para esse fim, desenvolvo três estudos sequenciais interconectados, cada um com seus respectivos temas independentes, métodos, coletas de dados e análises de resultados. O objetivo geral desta tese é analisar como os aspectos provenientes do país, da reputação dos assessores financeiros e a complexidade das transações influenciam na contratação de assessores financeiros em transações de F&A. O método escolhido nesses três estudos foi a regressão logística. No primeiro estudo, analiso como a imagem institucional e a distância geográfica entre as contrapartes influenciam na contratação de assessores financeiros, em transações entre países. O objetivo é avaliar como a distância institucional, bem como geográfica influenciam na contratação de assessores financeiros. Nossos resultados confirmam que os adquirentes têm maiores chances de contratar um assessor, no país de origem, quanto maior for a distância institucional entre os países. E ainda, que é mais provável os adquirentes contratem um assessor financeiro global quando a distância geográfica for maior entre os países. No segundo estudo, analiso como a reputação de assessores financeiros influencia na conclusão e na duração das transações de F&A. Argumentamos que quanto maior o *status* do assessor financeiro menor é o tempo despendido na transação, bem como a taxa de conclusão é maior. O objetivo é avaliar como a contratação de assessores financeiros, por sua reputação, influência a conclusão e a duração das transações da F&A. Os resultados confirmam que quando ambas contrapartes contratam assessores financeiros de *high status*, há maiores chances de que as transações sejam concluídas. Além disso, quanto maior o *status* do assessor financeiro, em ambas contrapartes, maior probabilidade da transação ser mais rápida. Finalmente, ao contrário do esperado, se ambas contrapartes contratam assessores financeiros classificados como *Boutiques* a duração da transação tende a ser menor. No terceiro estudo, analiso como a complexidade da transação de F&A pode influenciar a contratação de assessores financeiros. Argumentamos que é mais provável que o adquirente contrate um assessor financeiro quanto maior for a complexidade da transação em termos de aquisição de controle, tamanho da transação, falta de experiência prévia e a inexistência de relação dos setores entre as contrapartes. O objetivo é avaliar como a complexidade da transação influencia a contratação de um assessor financeiro. Nossos resultados confirmam que adquirir uma parcela minoritária do alvo combinado com uma transação mais complexa em termos de tamanho e falta de experiência prévia maiores são as chances de contratação de assessores financeiros. Quanto maior for o tamanho da transação maior será a probabilidade de contratação de assessores financeiros. Outra importante descoberta é que quanto maior a experiência prévia do adquirente em F&A mais ele tende a contratar assessores financeiros. E finalmente, descobri que a insistência de relação dos setores de atuação entre as contrapartes não influencia na contratação de assessores financeiros. Nesta tese eu contribuo para o tema assessores financeiros, bem como o que influencia a sua respectiva contratação em transações de fusões e aquisições.

Palavras-chave: assessores financeiros, fusões e aquisições e transações estratégicas.

ABSTRACT

Despite the growing importance of acquisitions to company ‘strategy, and the growing number of financial advisors is still unclear what motivates the company’s choices when considering hiring an advisor. In this thesis I propose to test some aspects which will affect on the hire of a financial advisor, when considering a M&A transaction. To this end, I develop three interconnected sequential studies, each with its own independent theme, method, data collection, and analysis of results. The more general objective of this thesis is to analyze how country aspects, financial advisors’ reputation and deal complexity will affect on the hire of a financial advisor on a M&A deal. The chosen method to achieve this objective in those three studies were logistic regression. In the first study, I analyze how the target country’s institutional image and home-host institutional and geographic distance influence the acquirer firms’ hiring financial advisors in cross-border acquisitions. The specific objective was to evaluate how the institutional image of the target country, and the home-host distance influences the hiring of financial advisor. Our results confirm that: acquirer firms are more likely to hire a financial advisor in the acquirer’s country to advise a cross-border acquisition the greater the institutional distance between the countries. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries. In the second study, I analyze how hiring financial advisors by their reputation influences the completion and duration of M&A transactions. We argue that the highest the status of the advisor the greater de rate of completion and the faster de completion. The specific objective was to evaluate how hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions. The findings confirm that when both parties hire a high-status financial advisor there are greater chances that M&A is completed. Moreover, the better tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition, making it faster. Finally, contrary to expectations, if both parts hire a boutique advisor the duration of the pre-M&A process tends to increase, and the M&A take longer to be completed. In the third study, I analyze how the complexity of the M&A transaction can influence the acquirer firms’ hiring financial advisors in acquisitions. We argue that the acquirer is more likely to hire a financial advisor when acquiring control of the target. We also propose that deal size, the acquirer previous experience and the relatedness of the counterpart’s industry can influence this relation. The specific objective was to evaluate how the deal complexity influence on the hire of a financial advisor. Our results confirm that buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company will have more chances to hire a financial advisor. Larger the deal size, more the acquirer tends to hire a financial advisor. Other important discover was that more experience the acquirer has in M&A transactions more they hire an advisor. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t motivate the acquirer in hiring an advisor. Thus, in this thesis I contributed to the theme financial advisors and what are the influences of hiring them in merger and acquisition transactions.

Keywords: financial advisors, mergers and acquisitions and strategic transactions.

SUMARY

1 INTRODUCTION

Despite the growing importance of acquisitions to firms' growth, and the large increase in financial advisor services throughout the world, whether acquirer firms hire financial advisors and the what drives their choices of advisors is still unclear. Notwithstanding, extant research has already examined a few facets of firms' choices regarding hiring advisors. My thesis has to do with several branches of the literature on the merger and acquisition. Most importantly, it is related to the growing literature on "investment banking," which focuses on whether financial advisors can boost the quality of M&A transactions and then highlights any grounds for potential gains.

For some researchers, the transaction costs reduction an information asymmetry in the main role of the financial advisor on a M&A transaction. The costs involved on a transaction can be the motivation to hire a financial advisor, reducing it the customer can have a better added value after the transaction. However, the customers can also check the financial advisor expertise in dealing with previous transactions, depending on the industry, on the M&A complexity (Servaes & Zenner, 1996). The international business literature developed to explain the M&A transactions are cost economics (TCE) and Institutional Theory. The Institutional theory can explain in somehow M&A transactions, offering a complementary theorical lens for this type of strategic transaction, which the company search for fast and efficient growth at the market (Moschieri, 2014).

The role of the financial advisor can be very complex, and it contains adding value to the transaction, negotiating better conditions to the customer, and accomplish synergies after the transaction. This is made by the financial advisor with strategic technique and previous experience can provide it (Bowers & Miller, 1990). Abnormal returns can be a perspective of measuring the quality of the financial advisor after a M&A transaction. An empirical study was made to check if the top tier investment banks use to have better abnormal returns, and indeed they have delivery better numbers to its customers (Bowers & Miller, 1990). Many researches linked the quality of the financial advisors with their outstanding service, when comparing their services with non-top financial advisors (Golubov et al., 2012).

In this thesis we propose and test some aspects which will affect on the hire of a financial advisor, when considering a M&A transaction. To this end, I develop three interconnected sequential studies, each with its own independent theme, method, data collection, and analysis of results. In the first study, I examine how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions. In the second study I examine how hiring financial advisors by their reputation influences the completion and duration of M&A transactions. And finally, in the third study I examine how the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions in Brazil.

1.1 RESEARCH PROBLEM

What motivates the choice of a financial advisors has received a fair amount of attention in the literature, it has been studied for many scholars in many ways, some of them have studying the relationship of financial advisor and the customer, they use to defend that a previous relationship could impact on the choose of the financial advisor on the moment of a M&A transaction. They used to defend that companies use to hire financial advisors which are their commercial banks also (Chang et al., 2010).

Having a previous relationship with the financial advisor can be a determinant when choosing the M&A advisor (Forte et al., 2010). But also, some studies found that the relationship can be also in Capital markets, but in a debt issuing, for example a bond issuing (Fang, 2005). And finally, other studies check on the previous relationship on the equity capital markets, some companies which made their IPO process with an Investment bank use to hire them again on a M&A transaction (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998).

It is particularly important to understand how companies select their financial advisors in mergers and acquisitions (M&As), as the one of the most important strategic movements a company can do to grow fast and accomplish its goals of strategic planning. An unstudied theme is to understand how *country aspects*, *financial advisors' reputation and deal complexity can really influence on the of a financial advisor*. Notwithstanding this, there are studies which made some investigation on what motivates companies in choosing their financial advisors. Rau (2000), for instance, discovered that first-tier investment bank advisors use to earn higher abnormal returns, when comparing with other financial advisors with less reputation. Francis et al. (2014) discover that is important for the company to hire a qualified financial advisor for the success of the transaction.

Those studies were developed in the context that financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in an acquisition (Servaes & Zenner, 1996). Because of the complexity of the transaction and the need to have a qualified financial advisor, some stakeholders may not trust on the transaction and not even try starting the process (Bettinazzi et al, 2018).

The investment banks are the most know and hired financial advisors in this kind of situation, because they have enough experience to help the stakeholders to understand all the situation (Allen et al., 2004). The financial advisors tend to reduce problems in accomplish the transaction due to their ability in this kind of service and also due to their previous experience with other companies (Dikova et al., 2010).

The institutional image is a part of the country image, which can be reflected on the company image and also on the product image (Diamantopoulos et al., 2017). The concern of the relevant distance is due to the target mix of products, brands are less chosen by customers in different countries due to ethnocentrism (Balabanis & Diamantopoulos, 2004; Herz & Diamantopoulos, 2013). Another aspect, not only the institutional differences, which can influence a CBA transaction is the geographic distance was also studied by others as an affect on the international merger and acquisitions (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs and makes managing at a distance more hazardous (Hamilton & Winters, 1992). These challenges can lead acquirer firms to hire financial advisors and this was evaluated on the first study where I analyze how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions.

Financial advisors were considered in some studies better in delivering the service in terms of quality when considering their reputation. They can generate substantial value for the customer´s shareholders. They are also known as improving performance and reducing bid premiums (Bi & Wang, 2018). On the other hand, we have the financial boutique financial advisors which are usually autonomous, smaller, provides a better strategy service in terms of the industry knowledge of the counterparts. This can be seeing as a creation of value to the customers also (Song et al., 2013). That leads to the second study theme where I analyze how hiring financial advisors by their reputation influences the completion and duration of M&A transactions.

Another aspect that should be considered is the acquiring control, which can make the process even more complex in terms of difficulties in executing (Grossman and Hart, 1986). Or even the cross-border transactions, already mentioned here, which higher the complexity of the deal. That is explained by the different cultures, nations, laws, and accountability process (Morosini, Shane & Singh, 1998), which demands knowledge in different markets (Rumelt, 1974) and the domestic knowledge in the M&A market is not enough to accomplish the successful of the transaction (Norburn & Schoenberg, 1994). That is the reason on the third study, I analyze how the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions.

I revisit on this thesis analysing the decision of hiring financial advisors in M&As by examining whether the country's institutional image, the institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions. And I also investigate if the reputation of the financial advisors affect the completion and duration of mergers and acquisitions deals. And finally, I examine how the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions in Brazil. In this thesis we propose and test some aspects which will affect on the hire of a financial advisor, when considering a M&A transaction.

Hence, with the objective of understanding some aspects which will affect on the hire of a financial advisor, when considering a M&A transaction, the thesis question is *Which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction?*

1.2 GOALS

1.2.1 GENERAL

The more general objective of this thesis is **to analyze which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction.**

1.2.2 SPECIFICS

The three core specific objectives of this thesis are:

- Analyze which is the impact of institutional image of the target country, and the home-host distance influence the hiring of financial advisors;

- Analyze which is the impact of hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions;

- Analyze which is the impact of the deal complexity influence on the hire of a financial advisor.

1.3 JUSTIFICATION OF THE THESIS

As mentioned before on the introduction and on the research of the problem items the theme merger and acquisitions (M&A) has its importance because of the growing globally number of transactions and the importance of these transactions for the company's strategies. However, the number of financial advisors is also growing globally, and not only investment banks are able to this type of transaction but also boutique financial advisors, which are offering the specialized financial advisory.

The global M&A activity in 2019 was USD 3.33tn, the average of the deals size was USD 389m per deal. The cross-border transactions (CBAs) was responsible for USD 1.27tn. And the industry which has more deals was industry and chemistry with USD 523.8bn. There were 38 megadeals taking place in 2019 (>USD 10bn). The North American deals were responsible by 47,2% of all the M&A transactions, it was the highest number since 2001. The EUA had almost half oh the M&A transactions because of its strong economy, engaging this huge number of domestic deals. Indeed, 15 of the top 20 deals of 2019 in value were the result of domestic consolidation among US-based corporations. The Latin America M&A transactions, in 2019, were 659 deals worth USD 85.9bn, demonstrating a 13% increase compared to the year before (Merger & Market, 2019).

Many studies were made on this main theme "M&A", and many others tried to understand what motivates the company when hiring a financial advisor, however they haven´t focused in some drivers which I did on this thesis. That is how I contribute to the literature, evaluating aspects which were not studied as I did. I analyze which is the impact of country aspects, financial advisors' reputation and deal complexity will affect on the hire of a financial advisor, when considering a M&A transaction. This was made through three independent studies, which one focused in a different aspect. Even though, the chosen method to achieve this objective in those three studies were logistic regression.

Institutional image impact is the way the others perceive the company, by their reputation, because of their delivered products or services and also because of their stakeholders (Kostova & Zaheer, 1999). This institutional image can be reinforced by their international business (Peng et al., 2008). Institutional image is how its image is perceived by the others, it can be influenced also by their actions, policies, and practices at the market. Other entities can associate the company´s image with their stakeholders and the environmental which is included (Chattalas et al., 2008; Sharma, 2011).

Institutional distance is that the extent of the distinction between the institutional environments of the acquirer and target countries (Kostova & Zaheer, 1999). Greater institutional distance will probably increase the costs of doing business within the foreign country, as it is associated with bigger uncertainty and strangeness with the local surroundings (Zaheer, 1995). In the first study, I analyze which is the impact of the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions. The specific objective was to analyze which is the impact of the institutional image of the target country, and the home-host distance influences the hiring of financial advisor.

The role of the financial advisor can be very complex, and it contains adding value to the transaction, negotiating better conditions to the customer, and accomplish synergies after the transaction. This is made by the financial advisor with strategic technique and previous experience can provide it (Bowers & Miller, 1990). Abnormal returns can be a perspective of measuring the quality of the financial advisor after a M&A transaction. An empirical study was made to check if the top tier investment banks use to have better abnormal returns, and indeed they have delivery better numbers to its customers (Bowers & Miller, 1990).

Many researches linked the quality of the financial advisors with their outstanding service, when comparing their services with non-top financial advisors (Golubov et al., 2012). In the second study, I analyze which is the impact of hiring financial advisors by their reputation influences the completion and duration of M&A transactions. We argue that the highest the status of the advisor the greater de rate of completion and the faster de completion. The specific objective was to evaluate which is the impact of hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions.

Adding on the acquiring control complexity, Antras, (2003) realized that acquisitions in merger markets can be very challenging, once the acquiring on will probably face inefficiency a difficult in managing their existing contracts. On the other hand, acquiring control on developed markets can bring efficiency to the transaction, possibility the access to get the synergies gains. Also, resolution on contracts, accessing new technology and patents. Items more common seen on this type of country. M&A transactions sometimes are not cooperative deals which implicates in the need of better agreements and accomplishing the gain of potential synergies. (Kesner, Shapiro & Sharma, 1994). In the third study, I analyze which is the impact of the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions. We argue that the acquirer is more likely to hire a financial advisor when acquiring control of the target. We also propose that deal size, the acquirer previous experience and the relatedness of the counterpart's industry can influence this relation. The specific objective was to analyze which is the impact of the deal complexity influence on the hire of a financial advisor.

1.4 STRUCTURE

The Table 1.1 describes the Methodological Matrix (MM), with the justification for each of the three studies made on this thesis, including the titles, research questions, specific goals, as well as the justification for interdependence of the studies used and it´s publishing status.

Table 1.1 - Methodological Matrix

<table>
<tr><th colspan="8">RESEARCH QUESTION
Which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction?</th></tr>
<tr><th colspan="8">MAIN GOAL
Analyze which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction.</th></tr>
<tr><th colspan="3">JUSTIFICATION OF DISTINCTION</th><th colspan="4">JUSTIFICATION OF INTERDEPENDENCE</th><th>STATUS OF PUBLISHING</th></tr>
<tr><th>Title of the studies</th><th>Research Question</th><th>Specific Goals</th><th>Sequential or simultaneous searches</th><th>Single or mixed method</th><th>Data collection Procedures</th><th>Data Analysis Procedures</th><th>Each Study</th></tr>
<tr><td>How Hiring Financial Advisors in Cross-Border Acquisitions in The BRICS is Driven by The Target Country Institutional Image and Home-Target Distance.</td><td>Analyze which is the impact of institutional image of the target country, and the home-host distance influence the</td><td>Analyze which is the impact of the institutional image of the target country, and the home-host distance influences the</td><td>Simultaneous*</td><td>Single</td><td>Data was extracted from the Thomson Financial Merger & Acquisition database (SDC).</td><td>Three sets of logistic regressions</td><td>Accepted on BASE - Revista de Administração e Contabilidade da Unisinos (A2)</td></tr>
</table>

	hiring of financial advisors?	hiring of financial advisors.					
How hiring financial advisors by their reputation influences the completion and duration of the Brazilian M&A transactions	Analyze which is the impact of hiring financial advisors by their reputation influences the completion and duration of the Brazilian M&A transactions?	Analyze which is the impact of hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions.	Simultaneous*	Single	Data was extracted from the Thomson Financial Merger & Acquisition database (SDC).	Two sets of logistic regressions	Accepted on SINGEP 2020
How the complexity of the Brazilian M&A transactions influences the hiring of financial advisors	Analyze which is the impact of the complexity of the M&A transaction influences the hiring of financial advisors?	Analyze which is the impact of the deal complexity influence on the hire of a financial advisor.	Simultaneous*	Single	Data was extracted from the Thomson Financial Merger & Acquisition database (SDC).	One set of logistic regressions	Submitted on ENANPAD 2020

*Empirical
Source: Costa, Ramos e Pedron (2019), adapted by the author.

2 STUDY 1: HOW HIRING FINANCIAL ADVISORS IN CROSS-BORDER ACQUISITIONS IN THE BRICS IS DRIVEN BY THE TARGET COUNTRY INSTITUTIONAL IMAGE AND HOME-TARGET DISTANCE

ABSTRACT

We examine how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions (CBAs) in the BRICS. Specifically, we scrutinize whether the acquirer hires financial advisor in the acquirer firm's country, the target country or a global advisor. We argue that the acquirer is more likely to hire a financial advisor the poorer the institutional image of the target country and the greater the home-host institutional and geographic distance. -Using a data collected on 642 cross-border acquisitions during 2013-2017 in the BRICS – Brazil, Russia, India, China, and South Africa, we test our hypotheses empirically. The results have important implications for managers, researchers, and policymakers. Our results confirm that: acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

Keywords: Mergers and acquisitions, Financial advisors, Institutional distance, Emerging-market multinational company, Institutional image

2.1 INTRODUCTION

Despite the growing importance of acquisitions to firms' growth, and the large increase in financial advisor services throughout the world, whether acquirer firms hire financial advisors and the what drives their choices of advisors is still unclear. Notwithstanding, extant research has already examined a few facets of firms' choices regarding hiring advisors. A research made by Rau (2000) discovered that the investment banks, classified as tier one use to gain higher abnormal returns, when comparing with other investment banks. The study made by Francis et al. (2014) found that the experience of the financial advisors was important for the acquirer, in terms of previous experience. Adding with this study, Ismail (2010) found that this expertise high quality financial advisors use to have more experience in finding potential targets, which could add value to the M&A transaction and also add better return to the M&A transaction. Finally, another study adds that this type of advisory of the high-status financial advisors that they could reduce the information asymmetry and transaction costs. However, other scholars haven´t found any kind of value in a transaction by hiring a high-quality financial advisor (Bowers & Miller, 1990; Rau, 2000). In a nutshell, it is hard to affirm that high quality financial advisors can indeed bring value to the transaction and to the shareholders, or its company.

Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in an acquisition (Servaes & Zenner, 1996). That is important because of the information asymmetries in acquisitions that is likely to influence several aspects of the transaction such as the premium paid and cumulative abnormal returns around the announcement date (Finnerty et al., 2012). Cross-border acquisitions are especially prone to raise additional challenges for the acquirers, this occur because of the different in aspects as culture, organizational profile, accountability rules and laws (Eden & Miller, 2004 and Kostova & Zaheer, 1999). In some instances, the acquirer's lack of experience with CBAs or of operating in the target's country may inhibit the confidence of stakeholders in the transaction. The financial advisors tend to reduce problems in accomplish the transaction due to their ability in this kind of service and also due to their previous experience with other companies (Dikova et al., 2010). Investment banks, that are the most commonly contracted financial advisors, provide information regarding the several facets of the transaction (Allen et al., 2004).

The challenges pertaining to institutional pressures and differences are likely to be greater in conducting CBAs into economies. That is because emerging economies tend to have poorer governance and systems of accountability (Luo & Tung, 2007) and the emerging economies firms (EEFs) to lack brand names and superior technology (He et al., 2013; Wang et al., 2014). However, targeting EEFs may prove to be an opportunity for the acquirers' growth strategy. The CBA´s financial advisors can improve the valuation of the target, because they can combine previous experience in this type of transaction and also they know how to evaluate the target´s value. Adding to that they can also evaluate the synergies after the transaction is completed (Francis et al., 2014).

In this research we test how the institutional image of the target country, and the home-host distance influences the hiring of financial advisors. The main objective is evaluating how the institutional image of the target country, and the home-host distance influences the hiring of financial advisor Our empirical context is the five main emerging economies – the BRICS. Our results confirm that: acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

Countries vary across a variety of structural features relevant to factors such as history, environment, climate, legal structures, political status, demography, etc. (Berry et al., 2010). From an institutional theory lens, one of the important issues which businesses need to address when making acquisitions abroad is the institutional gap between home and host countries or acquirers and target countries. Institutional gap is the degree to which the acquirer's institutional climate varies from that of the target countries (Kostova & Zaheer, 1999). Greater institutional distance is expected to raise the cost of doing business within the foreign nation as it is correlated with greater ambiguity and instability with the local environment (Zaheer, 1995). In addition to the institutional differences across countries, geographic distance has also been seen to have an impact on a number of international business aspects and decisions such as commerce, foreign investment and other forms of economic operation between nations (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs and makes managing at a distance more hazardous (Hamilton & Winters, 1992).

We contribute to the literature in two main ways. First, we contribute to enrich the literature on the countries institutional image (Kostova & Zaheer, 1999; Moeller et al., 2013; Zaheer & Zaheer, 2005) by examining its affects on hiring financial advisor (Dikova et al., 2010). This is especially interesting in the context of emerging economies studies given the well-known institutional inefficiencies and hazards entailed in operating in these countries. A second contribution to the literature on cross-border acquisitions. Using CBAs as the context we address the hazards imposed from poor institutional image and distance between the home and target countries, and how firms respond to those hazards hiring financial advisors. Moreover, we add to the stream of research on acquisitions, which has been largely focused on post-acquisition outcomes (Dikova et al., 2010), by examining a decision in the pre-acquisition process.

2.2 LITERATURE REVIEW

2.2.1 Financial advisors in acquisitions

The financial advisor role is being very studied because of the quantity of M&A transactions, which are getting higher but also because the importance for the company ‘strategy. Most notably, it's associated with the growing “investment banking” literature, that focuses on whether or not financial advisors will improve M&A deal performance, then highlights any reasons for potential gains (Bao & Edmans, 2011). Synergies are an important way of evaluating the financial advisor service and can be linked with the financial advisor status. The higher the status of the advisor the higher is the synergy obtained on the M&A transaction (Bowers & Miller, 1990). This study was contrary evaluated by other researchers, which found that not necessarily high-status financial advisors deliver higher abnormal returns (CARs) (Michel, Shaked, and Lee, 1991).

Some studies used to defend that companies use to hire financial advisors which are their commercial banks also, this would defend that status is not wath really matters, but the previous relationship between the acquirer and the financial advisor. (Chang et al., 2010). The information regarding the status was used by Bao and Edmans (2011) who have check that the top tier financial advisors use to be top ones for many years, they were always classified on the first quantile of the ranking. They identified that advisors in the top quintile of the M&A ranking continue to provide better service than those in the bottom of the ranking.

An empirical test was made by Bao and Edmans (2011), which definitely discover that the greater investment banks use to deliver higher abnormal returns, when comparing the price of te stock after the announcement date. And also, they deliver a better transaction in terms of adding value to the new company, and for its shareholders. (Golubov, Petmezas & Travlos, 2012).

Adding with this study, Ismail (2010) found that this expertise high quality financial advisors use to have more experience in finding potential targets, which could add value to the M&A transaction and also add better return to the M&A transaction. The author suggests that investment bankers have completely different incentives after they advise on massive vs. tiny deals. In distinction, exploitation 2016 transactions from 1995 to 2006, Song, Wei, and Zhou dynasty (2013) found that boutique advisors can add more value to the stakeholders, whem comparing with the investment banks. The boutique advisors are specialized in some industries sectors, which the investment banks are more generally focused.

The financial advisor previous performance can also be included as a factor in the choice of a financial advisor in the M&A process (Sibilkov & McConnell, 2014). Having a previous relationship with the financial advisor can be a determinant when choosing the M&A advisor (Forte et al., 2010). Other point of view was the payment methods made to the financial advisors, which can impact directly on the success of the transaction. This was empirically test and they notice that the payment was directly linked with the search for better transactions (Francis et al., 2014).

The previous relationship on the equity capital markets, as for example the IPO offer made with the Investment bank advisory creates previous track record for the M&A transaction (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998). The existing literature does not have a consensus in what motivates the hire of a financial advisor. Those studies do not empirically test the impact of choosing financial advisor when buying a target at a BRICS country. This research evaluates the hiring of a financial advisor with relation with the geographic and institutional distance between the counterparts.

2.2.2 Countries institutional images and cross-country differences

The institutional image is a part of the country image, is how a country is perceived by others (Diamantopoulos et al., 2017). Its affect, in the form of country of origin (COO) affect, has been discussed in marketing. For instance, is the way that the consumer perceives the product, but also how the consumer links the country with the product. That happens because of the cultural background, previous history and also previous knowledge. Some researchers ae concern because consumers tend to choose products for its country origins, which may prejudicated some other companies which are located in unknown countries (Balabanis & Diamantopoulos, 2004; Herz & Diamantopoulos, 2013).

The COO concept began to be used on the international context. In the same way companies can be evaluated by its country of origin. The country has a legitimacy which can be extended to the organizations locate inside, but also the products. And finally, it can be extended to the persons. Applying this concept to the CBAs, the potential acquirer can label the target by its location, by its country and not by the company itself (Zaheer & Zaheer, 2005; He & Zhang, 2018).

The resource-based view can explain the influence of home country for an acquirer. In this same study they found that there are differences between developed countries and other countries. The main difference is that the companies and persons already have a pre concept idea that countries which are still developing itself tend to be less competitive because of the companies profile which are also less developed when comparing to the companies in the same industry in the developed countries (Cuervo-Cazurra, 2011; Cuervo-Cazurra & Genc, 2008; He & Zhang, 2018). Adding to this study, the authors also made a research analysing how a firm's country of origin affects its investments abroad. They used to link the resource-based view theory and the country-of-origin (Cuervo-Cazurra & Un, 2015; He & Zhang, 2018). Finally, a study was made by the same authors focusing on the capabilities of the companies which are located on the emerging markets. These companies tend to delivery commodities products, because of their lack of expertise when comparing to developed companies inside developed countries. This could make impossible these two companies to became competitive at the same level, and probably the price of the product of the emerging market tend to be reduced, as they offer a commodity and also a less innovative product. (Cuervo-Cazurra et al., 2019).

Institutional image impact is the way the others perceive the company, by their reputation, because of their delivered products or services and also because of their stakeholders (Kostova & Zaheer, 1999). This institutional image can be reinforced by their international business (Peng et al., 2008). Institutional image is how its image is perceived by the others, it can be influenced also by their actions, policies and practices at the market. Other entities can associate the company´s image with their stakeholders and the environmental which is included (Chattalas et al., 2008; Sharma, 2011; He & Zhang, 2018).

The institutional image can be influenced by the country's characteristics and profile (Berry et al., 2010). From an institutional theory lens, one necessary issue that firms must think about once creating acquisitions abroad is that the institutional distance between the counterpart's countries distance. Institutional distance is the cultural distance between the target and the acquirer distance (Kostova & Zaheer, 1999). As the institutional distance is greater, probably the costs will be also greater (Zaheer, 1995). Because of that some companies tend to establish some routine and process between its affiliates (Kostova & Zaheer, 1999). Researchers discovered that investment in countries which have higher risks like economic and political ones it is harder for an acquirer to take on that way (Anderson, 1979; Deadorff, 1998).

Because of the institutional differences, between countries and consequently with their companies, the CBAs tend to have an unsuccessful number of cases (Dikova et al, 2010). Institutional distance has also an influence on not choosing emerging market to expand business abroad (Aybar & Ficici, 2009; He & Zhang, 2018). However, there are some authors who found that CBAs on emerging markets can be faced as an opportunity (Luo & Tung, 2007). On those emerging markets the persons involved can be an issue also (Khanna & Palepu, 2006), as also knowledge of the target´stratregy (Aybar & Ficici, 2009; He & Zhang, 2018).

International company growth will face the differences between the culture, the law and the accountability rules (Ghemawat, 2001). The proxy for the institutional distance is the cultural distance. Researcher believe that the higher cultural distance, it will probably affect on the concern on having a CBA (Barkema, et al., 1996). Cultural distance is a concern among the researcher the literature (Harzing, 2002). Some authors found that companies from countries with comparatively higher quality establishments were more probably to take a position in whole owned subsidiaries, whereas those from comparatively lower quality establishments tend to take a position through acquisitions, suggesting cross-border acquisitions are going to be a primary vehicle of internationalisation for emerging markets CBAs, which were supported by Francis et al. (2014).

Recent review of the idea of institutional distance suggests that there's a desire to arrange the research stream (Berry et al., 2010), since authors typically use disparate proxies of the institutional distance notion, most frequently within the variety of some variation of cultural distance (Xu & Shenkar, 2002). As such, a study supplies 9 sub-dimensions of institutional distance that are on paper separate and provides an additional nuance understanding of the idea, that once utilized by researchers can additional accurately differentiate and depict once, how, and why completely different components of institutional distance matters. These nine sub-dimensions are economic, financial, political, body, cultural, demographic, knowledge, world connectedness, and geographic (Berry et al., 2010).

2.3 HYPOTHESES

Generally, CBAs are risky because of the target´s resistance in selling its company (Holl & Kyriazis, 1996), the deal itself (Sun et al., 2012), selling stake (O'Sullivan & Wong, 1998), costs if the CBA is cancelled (Calcagno & Falconieri, 2014), and finally the most important concern is the information asymmetry between the counterparts (Dikova et al., 2010; Muehlfeld et al., 2012). A CBA is harder when comparing to domestic deals (Eden & Miller, 2004). This occurs because of the difference between the counterpart's culture, laws, accountability rules or even the product itself (Kostova & Zaheer, 1999 and Aybar & Ficici, 2009).

To get worst, if the acquirer does not have previous experience in M&A deals, it can be even harder to complete a CBA and to do the valuation of the target. The information asymmetry can exist in M&A and in CBA, however it can be harder to get all the information needed with the target located in other country that the acquirer (Dikova et al., 2010). Emerging Markets can difficult this information asymmetry due to this lack of governance (Luo & Tung, 2007), lack of known brands and high technological products (He et al., 2013; Wang et al., 2014). This also impact their competitiveness in the global market (Wang et al., 2012; He & Zhang, 2018).

Targets located on the underdeveloped markets tend to have this lack of competitiveness (Tolentino, 2010; Wang et al., 2012). And finally, this can be a concern on a CBA transaction (Aybar & Ficici, 2009). These challenges can lead acquirer firms to hire financial advisors. In the following sections we structure the hypotheses.

2.3.1 Institutional image of the target country and the choice of a financial advisor

Institutional frameworks are the main forces which impact firms´s outcomes and believes at international business and context (Peng et al., 2008). Because of that we focus on the impact of institutional image, which is defined as the reputation, the picture and stereotype which stakeholders connect to companies of a certain country. The countries which originates the companies carries domestic heritage, under the influence of national background, especially institutional characteristics (Kostova & Zaheer, 1999). Institutional image has standardizing affiliations with the end goal that a positive assessment of associations from a specific nation may be underwriting of its strategies, practices, and activities (Zaheer & Zaheer, 2005; He & Zhang, 2018).

The institutional image is a part of the country image, which can be reflected on the company image and also on the product image (Diamantopoulos et al., 2017). The concern of the relevant distance is due to the target mix of products, brands are less chosen by customers in different countries due to ethnocentrism (Balabanis & Diamantopoulos, 2004; Herz & Diamantopoulos, 2013).

The institutional image perceptions of local companies, for example, financial specialists, controllers, buyers and different partners, structure a piece of the host nation's institutional condition that foreign firms must deal with (Scott, 1995; Chattalas et al., 2008; Sharma, 2011). For firms from EMs that venture into worldwide markets, one type of the risk of strangeness is the nearby stereotyped impression of their attributes as an institutional picture impact. Firm notoriety is an institutional imperative on MNCs (Dikova et al., 2010). The institutional image is a cognitive and normative process (Scott, 1995; Chattalas et al., 2008; Sharma, 2011).

From an institutional reasoning, an institutional image can influence the image of a the host nation as a rearranged method in intellectual research of tending to an absence of data about the outside element by arranging dependent on psychological structures, for example, compositions and generalizations (Diamantopoulos et al., 2017). The host nation's legitimating condition frequently has less data to evaluate an outside element, bringing about doubt and examination of the last mentioned, additionally prompting the utilization of cliché appraisals that can emerge from long established, underestimated suspicions in the host condition in regard to this substance from a specific home nation (Kostova & Zaheer, 1999).

With the venture into abroad markets, the institutional image of a company's nation of origin can impact its acknowledgment by host nation partners, that is, shareholders in general, rivalry, clients, partners, (Zaheer & Zaheer, 2005). Institutional image is an identification to the contributing company's experience and history when looking for partners. This affect will influence their pre-acquisition processes also. The predisposition of a target country's constituents toward acquisitions by foreign acquirer due to their institutional images can exert bad or good affects on takeover success (Moeller et al., 2013).

Institutional image of EEFs is often negative because of domestic institutional constraints. EEFs' corporate governance is considered for outsiders, weak because these countries generally do not have developed stock markets and they are frequent suffer from government intervention (Zhang & Ebbers, 2011). And, the EEFs have a weak brand association and poor country image. Therefore, they also suffer from suspicious accountability and transparency which can make the investors reluctant to invest in emerging market countries (Wang et al., 2014).

We would like to test that a foreign acquirer prefers to hire a financial advisor in the acquirer's country due to the risk and uncertainty linked with the poor institutional image of the target´s country at the BRICs. Hiring a financial advisor in the acquirer's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the poorer the institutional image of the target country.

We also contend that a foreign acquirer prefers to hire a financial advisor in the target's country due to the risk and uncertainty linked with the poor institutional image of the target´s country at the BRICs. Hiring a financial advisor in the target's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country.

Finally, we contend that a foreign acquirer prefers to hire a global financial advisor due to the risk and uncertainty linked with the poor institutional image of the target´s country at the BRICs. Hiring a global financial advisor will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional differences. Hence, we hypothesize that: **Hypothesis 1c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the poorer the institutional image of the target country.

2.3.2 Institutional distance between the acquirer and target country and the choice of a financial advisor

Institutional distance is that the extent of the distinction between the institutional environments of the acquirer and target countries (Kostova & Zaheer, 1999). Greater institutional distance will probably increase the costs of doing business within the foreign country, as it is associated with bigger uncertainty and strangeness with the local surroundings (Zaheer, 1995). Considering a CBA transaction in the emerging market, this can enhance de institutional distance between the acquirer country and the target country.

CBA's acquirers are concerned with institutional distance because of the information between the counterparts, this can cause information asymmetry which can be linked with higher costs (Dikova et al., 2010; Muehlfeld et al., 2012). As studied before the CBAs can be harder to accomplish when comparing to an M&A transaction (Eden & Miller, 2004). This probably is harder because of the differences between the countries and also the companies located on (Kostova & Zaheer, 1999) and it reflects to difficulties in implementing company strategies (Aybar & Ficici, 2009).

Based on that, we contend that a foreign acquirer prefers to hire financial advisor in the acquirer's country due to the risk and uncertainty linked with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a financial advisor in the acquirer's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries.

We also contend that a foreign acquirer prefers to hire financial advisor in the target's country due to the risk and uncertainty linked with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a financial advisor in the target's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the greater the institutional distance between the countries.

Finally, we contend that a foreign acquirer prefers to hire global financial advisor due to the risk and uncertainty linked with greater differences in terms of institutional distance between the acquirer and the target countries. Hiring a global financial advisor will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the institutional distance. Hence, we hypothesize that: **Hypothesis 2c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the institutional distance between the countries.

2.3.3 Geographic distance between the acquirer and target country and the choice of a financial advisor

Another aspect, not only the institutional differences, which can influence a CBA transaction is the geographic distance was also studied by others as an affect on the international merger and acquisitions (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs and makes managing at a distance more hazardous (Hamilton & Winters, 1992).

Some methods were used by other researchers to study the geographic distance between countries. For example, Chen (2004) used the longitude and the latitude between the main city between the countries measured. However, the line distance between the countries was used also by Krishna (2003).

Based on that, we contend that a foreign acquirer prefers to hire a financial advisor in the acquirer's country due to the risk and uncertainty linked with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a financial advisor in the acquirer's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3a.** Acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the geographic distance between the countries.

We also contend that a foreign acquirer prefers to hire a financial advisor in the target's country due to the risk and uncertainty linked with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a financial advisor in the target's country will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3b.** Acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the greater the geographic distance between the countries.

Finally, we contend that a foreign acquirer prefers to hire a global financial advisor due to the risk and uncertainty linked with greater differences in terms of geographic distance between the acquirer and the target countries. Hiring a global financial advisor will allow the acquirer to reduce some of these negative affects by reducing the information asymmetry and costs caused by the geographic distances. Hence, we hypothesize that: **Hypothesis 3c.** Acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

2.4 METHOD

2.4.1 Data and sample

Data for this study was collected from multiple secondary sources. Data on the cross-border acquisitions was extracted from the Thomson Financial Merger & Acquisition database (SDC). This database is the most frequently used (e.g., Capron& Guillén, 2009; Capron & Shen, 2007). and offers information about deal status, date of announcement, completion or abandonment, some characteristics on the ownership stake, industries of both firms, location, and the financial advisors employed, among others.

Our data was collected as it follows: we only included CBAs in which the target firm was located in the BRICS countries (Brazil, Russia, India, China and South Africa) and the acquiring firm was foreign to any of these countries. Second, we excluded all the uncompleted deals. Third, the period was delimetd between 5 years (2013-2017). This was done to our concern in studying only recent transactions. Finally, we selected only deals which the acquirer hired a financial advisor. With these procedures, we obtained a final sample of 642 CBAs.

The details of the sample are as follows. Brazil was the target country in 115 CBAs, Russia in 40, India in 146, China 301 and South Africa in 40. The deal size was higher than US$ 100 million in 213 CBAs; with the largest transaction being a CBA by a firm in Hong Kong acquiring a Chinese target. The year distribution reveals 156 CBAs in 2013, 142 in 2014, 146 in 2015, 89 in 2016 and 109 in 2017. Acquirers had previous CBA experience in 102 cases. And regarding ownership, 413 CBAs involved acquiring ownership in excess of 50% of the target equity. The target hired a financial advisor in only 229 cases. Finally, in most cases the industry of the acquirer was not the same of the target, which means CBAs outside of the acquirer’s core business in 409 cases.

2.4.2 Variables

We have three dependent variables to ascertain is the decision of hiring a financial advisor to provide support for the CBA transaction. All data regarding the location or type of financial advisor was collected from SDC Thomson Financial Merger & Acquisition database. We classified all the advisors of the CBAs collected, of the acquirer´s, in three main categories: acquirer country, target country and global advisor. This was made for each case depending of the headquarter location of each financial advisor.

Hiring a financial advisor in the acquirer's country and it was coded in a dichotomous variable, for hypotheses 1 were classified if the financial advisor was from the acquirer´s country (1), or if not (0).

The second dependent variable assessed hiring a financial advisor in the target country. This variable was assessed dichotomously with 1 - hire– an advisor, and 0 – did not hire financial advisor in the target country. Data was extracted from Thomson Financial Merger & Acquisition database. And for the last set of hypotheses we classified if the financial advisor was global advisor (1), or if not (0).

2.4.3 Independent variables

We have three independent variables in this study. The institutional image was used by a perceived institutional quality of the target, it was used by the WGI. Institutional image is considered an institutional process of its environments (Chattalas et al., 2008; Scott, 1995). EMNCs use to be influenced by their previous institutional image (Wang et al., 2014). The institutional quality is the way that companies and stakeholders perceive the other nations (Luo & Tung, 2007).

The *target country's institutional image* refers to the perceived institutional quality of the target country. Data for this variable was collected from the World Governance Indicators (WGI) Index (data available in www.govindicators.org). The WGI reports aggregate and individual indicators. The report has a list of more than 210countries. Those countries are classified in six dimensions: regulatory quality, voice and accountability, government affectiveness, rule of law, political stability and absence of violence and control of corruption. Those indicators are made by using over 25 data sources, which evaluates the perceptions of the respondets of the research. Those researches was collected from many private sector firms, international organizations, survey institutes, non-governmental organizations, and think tanks. We used the average of those indicators (six), transforming in a unique index. Since the deals we investigated took place between 2013 and 2017, institutional image is a time varied variable for each target (Kaufmann et.al., 2010).

We measured *institutional distance* between the acquirer and the target firms' countries as the difference in institutional quality between the two countries. Institutional quality was measured using the mean of the six WGI indicators. The absolute difference in the countries institutional quality was used to measure distance in this study.

Geographic distance between the acquirer and the target firms' countries was measured as the great circle distance between the acquirer firm's country and the target country according to the coordinates of the geographic centre of the countries (cfr. Berry et al., 2010) The data on geographic distance is publicly available at http://lauder.wharton.upenn.edu/ciber/faculty_research.asp. We use the log value of the distance in kilometres.

2.4.4 Control variables

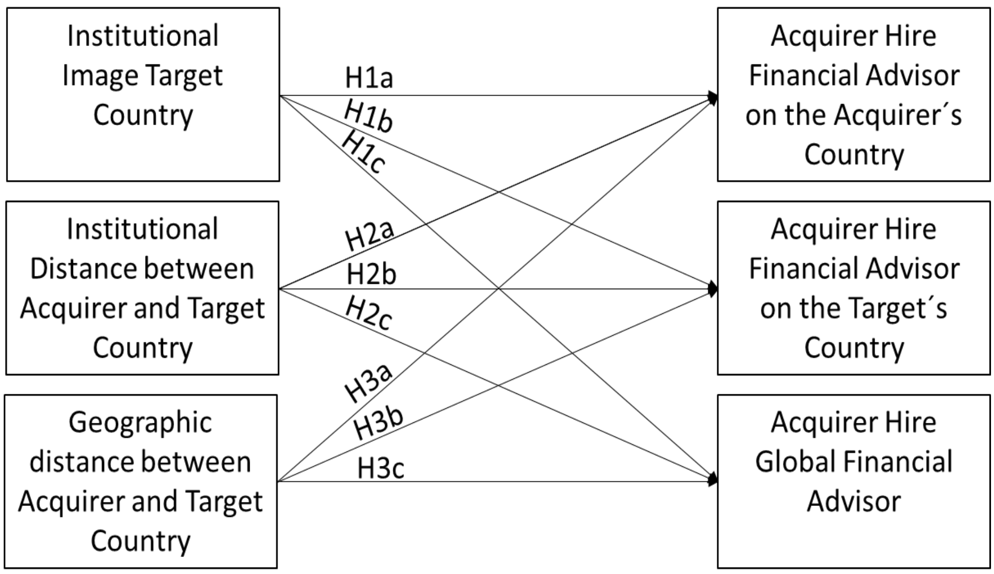
We have further included several control variables at the acquirer and target firms, transaction, industry, year and country. At the firm's level we controlled for the *acquirer experience* to account for the affect of learning experience. We operationalized as a dummy variable with a value of 1 if an acquirer had prior CBA experience, and 0 otherwise. Data was collected from SDC of Thomson. *Control acquisition* was used to control for the affect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%. Data collected from SDC of Thomson. *Target public* indicates whether the target firm is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable taking the value of 1 for target firms that are public, and 0 otherwise. Data was collected from SDC of Thomson. *Acquirer public* indicates whether the acquirer is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable with a value of 1 if an acquirer is a publicly traded firm and a value of 0 otherwise. Data collected from SDC of Thomson. *Target hired financial* indicates if the acquirer hired a financial advisor. It was operationalized as a dummy variable with a value of 1 if an acquirer hired a financial advisor and a value of 0 otherwise. Data collected from SDC of Thomson.

At the transaction level we accounted for the business level relatedness. *Relatedness* was used to control for the affect if the acquisition is in the same industry. We assessed relatedness as a dummy variable taking the value of 1 if an acquirer acts at the same industry (at 4 digits SIC code), of the target firms, and of 0 otherwise. We also accounted for the *deal size* since larger deals may be more complex and require firms to pool together a larger volume of capital do complete the acquisition. Although the values of a transaction may range from 1 million dollars (minimum value to be included in the database SDC) to several billion, we operationalized as a dummy variable with a value of 1 if the deal size was at least U$S 100 million, and a value of 0 if it was less than U$S 100 million. Data collected from SDC of Thomson.

At the country level we included two controls. The *target FDI* was used to control for the affect of the foreign direct investment, measured with the net inflows as % of GDP of the target firm's country. We use the value of the indicator of the target in the year in which the acquisition was announced, with data collected from World Bank. We also included the *target GDP* indicating the target country's GDP as a measure of attractiveness of the economy. Data refers to the year in which the acquisition was announced. We used the log value in the estimation.

Finally, the acquisition announced year was used. We included a dummy variable for each year between 2013 and 2017, using 2017 as the base year. The Figure 2.1 illustrates the Hypotheses model and its variables.

Figure 2.1. Hypotheses Model



Source: created by the author (2020)

2.5 RESULTS

To test the hypotheses, we conducted three sets of logistic regressions, one for each dependent variable. In each case our variable is dichotomous since the acquirer firms may, or may not, hire a financial advisor. Table 2.1 presents the correlations matrix. The correlations are not as high as to raise multicollinearity concerns and there is no evidence of multicollinearity in the data. In all regressions, the variance inflation factor (VIF) ranged from 1.1 to 1.8.

We highlight that some of the control variables for hire financial advisor on the acquirer´s country is not significant which denotes that the relation between the acquirer experience involved in the deal is not so sensitive. The variables on the deal size are also not significant pointing that the size of the acquisition is not related to hiring a financial advisor on the acquirer´s target. Pertaining to the target, in addition to not being significant, the target FDI is not significant. The results confirm that relatedness industry influence the hire of a financial advisor on the target´s country. That is, if the target and the acquirer are in the same industry, the more likely the acquirers will hire a financial advisor. Hence, we found partial evidence for the impact of control acquisition on this case. We were able to confirm significant affects for Target GDI, Target Public, Acquirer Public, which means that bigger companies tend to hire financial advisory. However, we also found that the target also hired a financial advisor has significance on the model.

Table 2.1. Descriptive statistics and correlations matrix.

Correlations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Advisor Acquirer Home Country	.340	.474	1														
2. Advisor Acquirer Host Country	.176	.381	-,305**	1													
3. Global Financial Advisor	.489	.500	-,702**	-,452**	1												
4. WGI Target	-.324	.225	-,122**	.066	.064	1											
5. Institucional Distance	1.631	.490	,180**	-,110**	-,084*	-,635**	1										
6. Geographic Distance	8.153	.941	-,362**	.073	,291**	,473**	-,383**	1									
7. Relatedness	.363	.481	-,165**	.008	,149**	,179**	-,257**	,214**	1								
8. Acquirer Experience	.159	.366	-.006	-,123**	,095*	.012	-.029	-.027	,080*	1							
9. Deal Size	.332	.471	-.072	-.039	,105**	-.052	.049	-,085*	.025	,092*	1						
10. Control Acquisition	.643	.479	,122**	-.066	-.065	.026	-.077	-.040	-.013	-.077	-.049	1					
11. Target FDI	2.281	.972	-.036	.022	.015	.041	-,119**	,107*	,092*	.064	,097*	.075	1				
12. Target GDP	.038	.105	,089*	-.059	-.037	-,202**	,209**	-,340**	-.049	.019	-.013	-.047	-,095*	1			
13. Target Public	.192	.394	-,199**	,191**	.038	-.015	.012	.050	-.014	-.006	,187**	-,422**	-.071	-.052	1		
14. Acquirer Public	.405	.491	.072	-,098*	-.001	,109**	-,103**	.014	,189**	,240**	.052	.038	.028	.052	-,127**	1	
15. Target hired Financial Advisor	.357	.479	-,149**	-.071	,195**	.062	-.056	,148**	-.028	.059	,297**	-,118**	,135**	-,111**	,199**	-.012	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 2.2 includes the results of the logistic regression for the dependent variable: acquirer hires financial advisor in the acquirer´s country. Model 1 includes only the control variables. Models 2 to 4 test the hypotheses. Model 5 is the complete model. In model 2 we test H1a suggesting positive relation between the target country's institutional image and hiring a financial advisor in the acquirer country. A negative and significant coefficient (β=-0.875, $p<0.05$) denotes that the affect is contrary to our predictions. The poorer the institutional image of the target country, less acquirer firms tend to hire financial advisory services in the acquirer country. That is not reasonable when we consider that hiring a local firm may be perceived as a guarantee that it will be better able to navigate through an array of institutional inefficiencies. Model 3 tests H2a proposing an affect of institutional distance and this hypothesis was confirmed by a positive and significant coefficient (β=0.703, $p<0.001$). We can affirm that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. However, we also found a negative and significant coefficient for the affect of geographic distance (β=-0.798, $p<0.001$) and thus we fail to confirm H3a. This is *prima facie* evidence that acquirer firms are less likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the geographic distance between the countries.

Table 2.2 Logistic regression results: Acquirer hires financial advisor in the acquirer country

Logistic regression for the acquirer hire financial advisor on the acquirer´s country

	Model 1	Model 2	Model 3	Model 4	Model 5
WGI Target		-0.875 **			1.051
Institutional Distance			0.703 ***		0.588 *
Geographic Distance				-0.762 ***	-0.798 ***
Relatedness	0.864 ***	0.811 ***	0.708 ***	0.623 ***	0.553 **
Acquirer Experience	0.011	0.013	-0.068	0.149	0.147
Deal Size	0.088	0.122	0.198	0.280	0.302
Control Acquisition	-0.259	-0.258	-0.351 *	-0.267	-0.285
Target FDI	-0.067	-0.059	-0.027	-0.068	-0.037
Target GDP	3.358 ***	2.874 ***	2.912 **	1.148	0.659
Target Public	0.964 ***	0.961 ***	0.910 ***	1.034 ***	1.026 ***
Acquirer Public	-0.317 *	-0.363 *	-0.345 *	-0.317	-0.311
Target hired Financial Advisor	0.535 ***	0.498 **	0.473 **	0.254	0.253
Year dummy	Included	Included	Included	Included	Included
Constant	-0.411	-0.872	-2.268 *	5.363 ***	4.739 ***
n	642	642	642	642	642
R^2	0.16	0.17	0.19	0.27	0.28
chi-square test	80.6	84.7	93.0	127.2	131.5

Note:***p<0,01, **p<0,05, *p<0,1.

Table 2.3 includes the results of the logistic regression for the dependent variable: acquirer hires financial advisor in the target´s country. Model 6 includes only the control variables. Models 7 to 9 test the hypotheses, and mmodel 10 is the complete model.

In model 7 we test the affect of the target country institutional image on the likelihood the acquirer will hire financial advisors locally in the target country. A non-significant coefficient (β=0.730, ns) does not permit us to confirm H1b. A negative and significant coefficient (β=-0.545, p<0.05) in model 8 reveals a negative affect of institutional distance on the likelihood the acquirer will hire financial advisor in the target firm’s country, which is contrary to our prediction. Hence, we fail to confirm H2b. Moreover, a non-significant coefficient in model 9 for the affect of geographic distance (β=0.860, ns) also does not allow us to confirm H3b. This is prima facie evidence that the affect of institutional and distance affects on the acquirer’s decision of which financial advisory services to hire is not straightforward.

Table 2.3. Logistic regression results: Acquirer hires financial advisor in the target country

Logistic regression for the acquirer hire financial advisor on the target´s country

	Model 6		Model 7		Model 8		Model 9		Model 10	
WGI Target			0.730						-0.388	
Institutional Distance					-0.545	**			-0.563	**
Geographic Distance							0.086		0.051	
Relatedness	-0.165		-0.100		-0.054		-0.152		-0.043	
Acquirer Experience	1.116	***	1.125	***	1.148	***	1.075	**	1.131	**
Deal Size	0.204		0.175		0.213		0.330		0.331	
Control Acquisition	-0.056		-0.054		-0.067		-0.356		-0.310	
Target FDI	0.197	*	0.172		0.147		0.166		0.137	
Target GDP	-2.901	**	-2.587	**	-1.922		-2.665	*	-2.218	
Target Public	-1.322	***	-1.318	***	-1.355	***	-1.696	***	-1.702	***
Acquirer Public	0.276		0.309		0.337		0.210		0.236	
Target hired Financial Advisor	0.667	**	0.682	***	0.667	**	0.502	*	0.525	*
Year dummy	Included		Included		Included		Included		Included	
Constant	-4.975	***	-4.564	***	-3.614	***	-5.111	***	-3.799	**
n	642		642		642		642		642	
R^2	0.13		0.14		0.15		0.15		0.16	
chi-square test	53.6		55.7		59.0		55.3		59.6	

Note:***p<0,01, **p<0,05, *p<0,1.

Table 2.4 includes the results of the logistic regression for the dependent variable: acquirer hires a global financial advisor. Model 11 includes only the control variables. Models 12 to 14 test the hypotheses. Model 15 is the complete model.

In model 12 we test H1c suggesting positive relation between the target country’s institutional image and hiring a global financial advisor. A non-significant coefficient (β=0.273, ns) does not permit us to confirm H1c. Model 13 tests H2c proposing an affect of institutional distance and this hypothesis was not confirmed by a negative and non-significant coefficient (β=-0.159, ns). However, we also found a positive and significant coefficient for the affect of geographic distance (β=0.661, p<0.001) and thus we were able to confirm H3c. This is an evidence that the affect of geographic distance affects on the acquirer's decision of which financial advisory services to hire is straightforward.

Table 2.4. Logistic regression results: Acquirer hires a global financial advisor

Logistic regression for the acquirer hire global financial advisor

	Model 11	Model 12	Model 13	Model 14	Model 15
WGI Target		0.273			-0.429
Institutional Distance			-0.159		-0.070
Geographic Distance				0.661 ***	0.698 ***
Relatedness	-0.677 ***	-0.657 ***	-0.611 ***	-0.503 **	-0.502 **
Acquirer Experience	-0.477 **	-0.476 **	-0.423 *	-0.600 **	-0.609 **
Deal Size	-0.235	-0.245	-0.307	-0.494 **	-0.491 **
Control Acquisition	0.245	0.246	0.346 *	0.442 **	0.440 **
Target FDI	-0.077	-0.080	-0.086	-0.081	-0.080
Target GDP	-1.241	-1.096	-1.544	0.336	0.371
Target Public	0.230	0.232	0.283	0.448	0.450
Acquirer Public	0.183	0.196	0.178	0.202	0.190
Target hired Financial Advisor	-0.812 ***	-0.802 ***	-0.779 ***	-0.523 **	-0.525 **
Year dummy	Included	Included	Included	Included	Included
Constant	0.939	1.082	1.434	-4.421 ***	-4.747 ***
n	642	642	642	642	642
R^2	0.12	0.12	0.13	0.20	0.21
chi-square test	59.4	59.9	63.1	95.8	96.5

Note:***p<0,01, **p<0,05, *p<0,1.

In sum, the results do not confirm that the poorer institutional image of the target country influence the choice of the financial advisors. We were able only to confirm 2 hypotheses (H2a and H3c). That is acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. And also, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

That is, we are able only to confirm that institutional distance and geographic distance between the countries can influence in the choice of the financial advisor when considering a CBA at the BRICS. Geographic distance can increase the hardness in studying a potential distant target, in addition to the costs that arise from distance that are hard to overcome using communication. In these instances, a global financial advisor may be an efficient alternative. In terms of the institutional distance is reasonable to influence when we consider that hiring a financial advisor can be perceived as a guarantee that it will be better able to navigate through an array of institutional differences.

2.6 DISCUSSION AND FINAL REMARKS

In this study, we examined the influence of institutional image, institutional and geographic distances on the choice of financial advisors in cross-border acquisitions in the BRICS countries. We proposed that both the target firms' countries institutional image and the investor-target country distances influenced the choice of financial advisors. The choice of financial advisors is important because they can be used to reduce institutional uncertainties and hazards. Our main findings point that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. However, greater is the geographic distance the more the acquirer will tend to hire a global financial advisor.

Possibly geographic distance increases the difficulties in studying a potential distant target, in addition to the costs that arise from distance that are hard to overcome using communication. In these instances, a global financial advisor may be an efficient alternative. That is probably the reason we were able to confirm that greater is the geographic distance the more the acquirer will tend to hire a global financial advisor. the geographic distance has shown in previous studies to affect the international business in generally, even in commercial agreements (Anderson, 1979; Deadorff, 1998). Geographic distance increases transport and communication costs and makes managing at a distance more hazardous (Hamilton & Winters, 1992). We also found that acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. This probably happens because emerging economies tend to have poorer governance and systems of accountability (Luo & Tung, 2007) and the emerging economies firms (EEFs) to lack known names and greatertechnology (He et al., 2013; Wang et al., 2014).

Emerging economies tend to have poorer governance and systems of accountability (Luo & Tung, 2007) and the EEFs to lack known names and greater technology (He et al., 2013; Wang et al., 2014). However, targeting EEFs may prove to be an opportunity for the acquirers' growth strategy. MNCs use to originate from countries which has lower positive institutional image (Dikova et al., 2010) Based on an analysis of 642 CBAs conducted by financial advisors from five major EMs, we find the following: (1) acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries; (2) acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

This study contributes to the literature on the impact of the institutional environment in the process of hiring a financial advisor and in the CBAs involving targets on emerging markets (Rau 2000). Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in a transaction (Servaes & Zenner, 1996). Our results confirm that acquirer firms are more likely to hire a financial advisor in the target's country to advise a cross-border acquisition the poorer the institutional image of the target country.

Hence, there is as contribution on the perception of the importance of the exchange and transmission of information between counterparts may influence several aspects of the transaction such as the premium paid and cumulative abnormal returns around the announcement date (Finnerty et al., 2012). Also, the CBAs are especially prone to raise several challenges of foreignness (Eden & Miller, 2004). These challenges include such issues as cultural differences, accountability rules and laws (Kostova & Zaheer, 1999). Moreover, the acquirer's lack of experience with cross-border acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in valuation of the target and informational asymmetries, that may have an adverse affect on the success of the transaction (Dikova et al., 2010). Our results confirm that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

This study seeks to maximize the internal validity by assuring rigorous control of the data collection, which can be replicable in other studies. It also establishes a trustworthy cause-and-affect relationship as we examine how the target country's institutional image and home-host institutional and geographic distance influence the acquirer firms' hiring financial advisors in cross-border acquisitions (CBAs) in the BRICS. On the external validity point of view, we consider that it refers to the extent to which our results can be applied (generalized) to other countries for example. Future studies in different rising economies, or economies, or with over five target countries, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

2.6.1 Research limitations and future directions

This study has limitations. First, the limitations imposed by the available data which can unable additional analyzes. For instance, it would be relevant to consider if the acquirer had previous experience in the actual target country. We only considered previous experience. Other data potentially relevant include data on the previous experience (acquisitions) in the target country. Moreover, the acquirer's lack of experience with cross-border acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in valuation of the target and informational asymmetries, that may have an adverse effect on the success of the transaction (Dikova et al., 2010). Future research will possibly require data collect on the previous experience of the acquirer by country.

Other limitation considerations the main target on acquisitions within the BRICS. Although we tend to believe that these markets cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of EEFs apart from these 5, that are more and more actively collaborating in M&A transactions. Future studies in different rising economies, or economies, or with over five target countries, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

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3 STUDY 2: HOW HIRING FINANCIAL ADVISORS BY THEIR REPUTATION INFLUENCES THE COMPLETION AND DURATION OF THE BRAZILIAN M&A TRANSACTIONS

ABSTRACT

We examine which is the impact of hiring financial advisors by its reputation influence the completion and duration of M&A transactions in Brazil. We propose that M&A transactions are more often completed and completed faster when the counterparts hire an advisor. We argue that the highest the status of the advisor the greater de rate of completion and the faster de completion. Using longitudinal data on 7.475 M&A transactions in Brazil during 1998-2018, we empirically test the hypotheses with logistic regressions. The findings confirm that when both parties hire a high-status financial advisor there are greater chances that M&A is completed. Moreover, the better tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition, making it faster. Finally, contrary to expectations, if both parts hire a boutique advisor the duration of the pre-M&A process tends to increase, and the M&A take longer to be completed. These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction. That can be explained because higher-quality advisors with extensive expertise in the M&A sector have the potential to identify realistic goals and build greater corporate and financial synergies for clients.

Keywords: M&A; Financial advisors; Boutique financial advisors; Reputation of financial advisors; Acquisition completion; Acquisition duration

3.1 INTRODUCTION

Even the number of merger & acquisitions transactions (M&A) are growing each year globally and its importance for the firm ‘strategy, it is still unknow what motivates companies hiring financial advisors. Notwithstanding, a lot of research has been made to discover what motivates the choice of a financial advisor and no other one. For instance, Rau (2000) discovered that high quality financial advisors use to have greater returns when comparing with other financial advisors.

Adding with this study, Ismail (2010) found that this expertise high quality financial advisors use to have more experience in finding potential targets, which could add value to the M&A transaction and also add better return to the M&A transaction. Finally, another study adds that this type of advisory of the high-status financial advisors that they could reduce the information asymmetry and transaction costs. However, other scholars haven´t found any kind of value in a transaction by hiring a high-quality financial advisor (Bowers & Miller, 1990; Rau, 2000). In a nutshell, it is hard to affirm that high quality financial advisors can indeed bring value to the transaction and to the shareholders, or its company.

These financial advisors which are classified as a high-quality advisor normally is an investment bank (Allen et al., 2004). However, there are some scholars who believe that the acquirer´s lack of experience motivates the hire of a financial advisor, searching to reduce costs of transaction and information asymmetry (Servaes & Zenner, 1996). This information of asymmetry is important to be reduce in this kind of transaction because they can be transformed in premium paid and cumulative abnormal returns (Finnerty et al., 2012). In some instances, the acquirer’s lack of experience by Dikova et al. (2010), it is classified as problem for not completing the transaction, because it includes misidentification of asset complementarities, assessment of the target value and market, among other potentially adverse conditions for the success of the transaction.

In this paper, we empirically analyze which is the impact of the financial advisors and boutiques reputation influence the duration and the completion of a M&A transaction in Brazil. We test if the transaction gets completed or even whether goes faster if the counterparts in the M&A transaction hire a financial advisor or a boutique. Our results confirm that if both parts have a high-status financial advisor more chances will have to be completed the acquisition process. And we also found that the tier classification when we have financial advisors in both sides can also affect the completion of the acquisition. Finally, in terms of the duration we found that if both parts have a boutique advisor the process can take more time to be completed.

We contribute to the literature in two main ways. First, we contribute to enrich the literature on using financial advisors on M&As transactions. Over the past two decades, the number of M&A transactions has been increasing significantly. Accompanying this rise in M&A transactions was a focused attempt by market analysts and scholarly scientists to define the main variables that determine whether these companies which are growing through acquisitions, are actually hiring financial advisors on the process. Studying deeper on this issue we can also want to know if the reputation of the financial advisor is a concern when hiring a financial advisor for a M&A transaction. In this study in specific, we want to check if the financial advisor reputation can impact on the duration of the transaction, and also in the completion of if. The main objective is evaluate analyze which is the impact of hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions.

This study specifically evaluates (1) the selection of high-status financial advisors and the affect of this selection on deal completion and the M&A duration and also, (2) if both counterparts hire a high-status financial advisor. Then we examine (3) the selection of financial advisors by its tiers classification and the affect of this on deal completion and the M&A duration and also, (4) if both counterparts hire a financial advisor by its tier classification. Finally, we examine (5) the selection of boutique financial advisors and the affect of this selection on deal completion and the M&A duration and, (6) if both counterparts hire a boutique financial advisor.

This research contributes to the existing literature on the impact of the length and the completion of a M&A transaction in the process of hiring a financial advisor. The importance of the financial advisors to the successful of the transaction was highlighted in some studies. (Francis et. al, 2004).

3.2 LITERATURE REVIEW

3.2.1 Financial advisors in acquisitions

What motivates the choice of a financial advisors has received a fair amount of attention in the literature, it has been studied for many scholars in many ways, some of them have studying the relationship of financial advisor and the customer, they use to defend that a previous relationship could impact on the choose of the financial advisor on the moment of a M&A transaction. They used to defend that companies use to hire financial advisors which are their commercial banks also (Chang et al., 2010). Having a previous relationship with the financial advisor can be a determinant when choosing the M&A advisor (Forte et al., 2010). But also, some studies found that the relationship can be also in Capital markets, but in a debt issuing, for example a bond issuing (Fang, 2005). And finally, other studies check on the previous relationship on the equity capital markets, some companies which made their IPO process with an Investment bank use to hire them again on a M&A transaction (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998).

However, some research check on the advantages on hiring high status financial advisors, if they could really accomplish synergies, potential gains and value added on the transaction (Bao & Edmans, 2011). In terms of cumulative abnormal returns (CARs), some authors studied if this was linked with the financial advisor status. Actually, they discover that higher status financial advisors got higher CARs and less status financial advisor got less CARS (Michel, Shaked & Lee, 1991).

Synergies are an important way of evaluating the financial advisor service and can be liked with the financial advisor status. The higher the status of the advisor the higher is the synergy obtained on the M&A transaction (Bowers & Miller, 1990). The financial advisor status can be checked by potential customers on well-known ranking at the market. This information regarding the status was used by Bao and Edmans (2011) who have check that the top tier financial advisors use to be top ones for many years, they were always classified on the first quantile of the ranking. They identified that advisors in the top quintile of the M&A ranking continue to provide better service than those in the bottom of the ranking.

Some research was made on the boutique advisors' reputation, actually they can deliver a high-quality service as the investment banks also. This was identified by Song, Wei, and Zhou (2013), which also defend that can add more value in a transaction when comparing with the investment banks. Bao and Edmans (2011) empirically tested that known investment bank create a distinction to M&A transactions, particularly the ones handled by top tier advisors. On contrary, Ismail (2010), says that investment banks have a different way of examining the transaction and also of remuneration because they have bigger and massive structure which boutiques don´t. Because of that boutiques could deliver an outstanding service.

Still on the comparison of value created by different type of financial advisor, some scholars made an empirical test between the top advisors and non-top advisors. It was founded that the top advisors use to delivery higher returns to their customers, because of their ability in checking on synergies (Golubov, Petmezas & Travlos, 2012). Other point of view was the payment methods made to the financial advisors, which can impact directly on the success of the transaction. This was empirically test and they notice that the payment was directly linked with the search for better transactions (Francis et al., 2014). The financial advisor previous performance can also be included as a factor in the choice of a financial advisor in the M&A process (Sibilkov & McConnell, 2014).

The existing empirical literature is inconclusive regarding the hiring the financial advisor; however, these studies do not explore the impact of choosing financial advisor by its reputation and its affect on the acquisition completion and duration. The present research evaluates the hiring financial advisor with their reputation on the M&A process.

3.2.2 Financial advisors' reputation

For some researchers, the transaction costs reduction an information asymmetry in the main role of the financial advisor on a M&A transaction. The costs involved on a transaction can be the motivation to hire a financial advisor, reducing it the customer can have a better added value after the transaction. However, the customers can also check the financial advisor expertise in dealing with previous transactions, depending on the industry, on the M&A complexity (Servaes & Zenner, 1996).

The role of the financial advisor can be very complex, and it contains adding value to the transaction, negotiating better conditions to the customer, and accomplish synergies after the transaction. This is made by the financial advisor with strategic technique and previous experience can provide it (Bowers & Miller, 1990). Abnormal returns can be a perspective of measuring the quality of the financial advisor after a M&A transaction. An empirical study was made to check if the top tier investment banks use to have better abnormal returns, and indeed they have delivery better numbers to its customers (Bowers & Miller, 1990). Many researches linked the quality of the financial advisors with their outstanding service, when comparing their services with non-top financial advisors (Golubov et al., 2012).

An Australian empirical study made by Rosa et al. (2004) haven´t agreed with other previous studies, they could not prove that top-financial advisors were able to deliver better service than the non-top financial advisors. This research tried to link the completion of the deals with the financial advisor status and also with the value added on the transaction. On the contrary, Rau (2000) defended that top tier financial advisors use to close the deal in any conditions, they are more concerned in closing deals than other financial advisors. Probably because they could have a better ranking grade if the close the deals they started. To add on that it coul reduced the value added on a post-acquisition transaction (Hunter & Jagtiani, 2003).

On the Chinese market a research was made and the found that top tier financial advisors added value to the M&A transactions, however they also reduce of the bid premium. The price paid on a M&A transaction can add value to the shareholder and it can be linked as a quality service made by a financial advisor (Bi & Wang, 2018). Another point of view was set on the research of Rosa et al. (2004), which defends that the top financial advisors adds more value to the transactions due to this previous experience, and they can be very specialized on the M&A market.

In terms of specialized service, we do have the boutique advisors, that for many scholars are greater in delivering greater returns because they can be very specialized (Loyeung, 2019). And they can also focus on the M&A transaction, without selling other services as an Investment Bank, which will try to sell other service to the same client (Asker & Ljungqvist, 2010; Ertugrul & Krishnan, 2014). Adding with this idea that boutique can offer a better service, but also better returns the research of Song et al. (2013) found that boutiques, even having less reputation that investment banks use to deliver a better service. The empirical study analyzes the deal premiums, the completion of the deal but also, they include in the research the velocity that deal was conducted by the advisor. In terms of deal premiums, they found that the investment banks used to deliver better numbers. However, in terms of velocity, the boutiques advisors use to have more velocity in completing the deal.

The differences between the investment banks and the boutique financial advisors can be pointed as many, however the research defends that the velocity was accomplish using more specialized advisors, in the counterpart's industry. However, the boutiques are not able to offer a complete service as the investment banks as (equity and debt underwriting) (Song et al., 2013 & Loyeung, 2019).

3.3 HYPOTHESES

The existent M&A literature surveys examine abnormal returns after the M&A announcement date by the acquirer and the target company, controlling a lot of variables such as target characterises, acquirer features, and the deal characteristics. A couple of research have recorded the significance of M&A market merger financial advisors. Servaes and Zenner (1996) defend that the information asymmetry can be reduced by the financial advisor when we compare with the in-house M&A team in the acquirer company.

Banks and non-banks financial advisor were theme of study by Allen, Jagtiani, Peristiani and Saunders (2004), which found that the bank financial advisor can offer a more complete service, when comparing with the non-bank ones. The bank one can deliver greater abnormal returns indeed. The choice of investment bank by the customer is motivated by the greater economic benefits that they can provide to its customer.

Other point studied was the bargaining power between investment banks, however this not possible to prove by Bowers and Miller (1990). On the other hand, other studies were concerned with the remuneration of the financial advisor or the price the customer pays for the financial advisory. They found that the fee of the financial advisor was greater in the financial advisors' service when they use to have a previous relationship with them (Saunders & Srinivasan, 2001). In this study they also found that customers are more propense to expend with the top financial advisors, because they rely that they can deliver a greater service.

Other studies found that the fee paid to the financial advisors are greater in cases the customer feel that they can deliver a better service, so the customer uses the fee to get better returns from the advisor. Still on this research on the fee paid to the financial advisors, Hunter and Walker (1990) discovered that the customer who were getting a better service actually are making a mix of the fees, which means they use to pay a fixed fee and also an incentive one. The variable remuneration paid as a compensation of the good service could bring better results and value added to the M&A transaction. In the same point of view Rau (2000) discovered that the remuneration of the financial advisors made in this way of mixing two types of fees were the better way to the customers. It was the better remuneration basis because he found a positive relation with the abnormal returns after acquisition. This was made by empirically measure of the stock prices before and after the announcement of the M&A transaction.

As the existing empirical literature can be very complex as they defend many theories when studying the financial advisors. However, these researches do not explore the impact of choosing financial advisor by its reputation and the impact of it on the duration and the completion of the M&A transaction. The present research links hiring financial advisor by its reputation with the completion and duration of the M&A process.

3.3.1 Acquisition completion and the choice of the acquirer´s financial advisor by its reputation

Financial advisors were considered in some studies better in delivering the service in terms of quality when considering their reputation. They can generate substantial value for the customer´s shareholders. They are also known as improving performance and reducing bid premiums (Bi & Wang, 2018). On the other hand, we have the financial boutique financial advisors which are usually autonomous, smaller, provides a better strategy service in terms of the industry knowledge of the counterparts. This can be seeing as a creation of value to the customers also (Song et al., 2013).

Some financial advisors are accused in serving a complete service to its customer; however, they are focused in their own interests and targets. Probably this bank interests may not approach with the customer wishes (Ertugrul & Krishnan, 2014). This was noticed by other authors, the complete service provided by the banks, which are also financial advisors, can be offered with conflict of interests (Kolasinski & Kothari, 2008). The boutique financial advisors are considered more independent counterparts, cause they are not linked with a commercial bank, they will not lend the money for example to the customer in the transaction, which is considered a cross selling products and services. The banks may not be offering only the financial advisor and may also recommend completing the transaction as they have the loan also (Asker & Ljungqvist, 2010).

The information asymmetry and the cost reduction can be achieved by hiring a financial advisor on the transaction, so they can use the previous experience and expertise to accomplish those customer needs (Servaes & Zenner, 1996). Boutique financial advisors are known by their autonomy, industry experience and also, they charge less compared with the investment banks. And as mention before, their remuneration is linked with the service, so will try to deliver the best service they can do to receive the variable fee on the end of the transaction.

This has probably engaged them to accomplish the customer needs, and not their own (Song et al., 2013). There are also some scholars that say that this engagement in searching for the client needs will make the boutique deliver a better service, more complete one and affective. As mention before they can deliver a very specialized service in the counterpart's industry. Probably many boutique financial advisors use to get specialize in some industry, as they get many transactions on that industry sector (Kadan et al., 2012). The following hypothesis are thus advanced: **Hypothesis 1a.** The likelihood of completing an acquisition is higher for an acquirer who hired a high-status financial advisor.

Financial advisors were considered in some studies better in delivering the service in terms of quality when considering their reputation. Companies expect that they can generate substantial value for its shareholders. Financial advisors are also known by delivering a service with better performance and less bid premiums (Bi & Wang, 2018). Hence, we hypothesize that: **Hypothesis 1b**. The likelihood of completing an acquisition is higher for an acquirer who hired a high-status tier financial advisor.

The financial advisors classified as boutique advisors are considered independent parts, because they don't have a commercial bank aggregated on it, however they will not be able to lend some money to the acquirer on the M&A transaction. Because of that banks may not be offering only the financial advisor and may also recommend completing the transaction as they will have some fee on the loan for the acquisition (Asker & Ljungqvist, 2010). Hence, we hypothesize that: **Hypothesis 1c**. The likelihood of completing an acquisition is higher for an acquirer who hired a boutique financial advisor.

The costs involved on a transaction can be the motivation to hire a financial advisor, reducing it the acquirer may have more success on the transaction. However, the customers will probably need financial advisor expertise in dealing with previous transactions, depending on the industry, on the M&A complexity (Servaes & Zenner, 1996). Hence, we hypothesize that: **Hypothesis 1d**. The likelihood of completing an acquisition is higher when both parts hired a high-status financial advisor.

Financial advisors as boutiques are not able to offer a complete service as the investment banks as (equity and debt underwriting), probably they offer a lower service in terms of quality and completion (Song et al., 2013 & Loyeung, 2019). Hence, we hypothesize that: **Hypothesis 1e**. The likelihood of completing an acquisition is higher when both parts hired a high-status tier financial advisor.

However, boutiques are known by their autonomy, industry experience and also, they charge less compared with the investment banks. And as mention before, their remuneration is linked with the service, so will try to deliver the best service they can do to receive the variable fee on the end of the transaction. This has probably engaged them to accomplish the customer needs, and not their own. (Song et al., 2013). Hence, we hypothesize that: **Hypothesis 1f**. The likelihood of completing an acquisition is higher when both parts hired a boutique financial advisor.

3.3.2 Acquisition duration and the choice of the acquirer´s financial advisor by its reputation

The duration of the deal can be linked with complexity of the deal, and also with the information available on the target. Depending on the information available the financial advisor can analyze the deal faster (Very & Schweiger, 2001). As mentioned before the information asymmetry and the cost reduction is a concern of the acquiring company and this can be solved by the amount of information they have on the target (Servaes & Zenner, 1996).

Even a cross border transaction (CBA) can make the length of the deal greater, as the information asymmetry can be bigger also. Probably the acquirer will hire a local international financial advisor to reduce the costs of transaction (Servaes & Zenner, 1996). Those financial advisors are able to analyze more strategicallyb the deal as they know the local industry, law, culture and accounting practices (Very & Schweiger, 2001).

The cross-border deals can enrich the financial advisors, and also provide a very unique expertise on the kind of deal. They will create a track record on these CBAs transactions, and probably they will be credentialed for more international deals, as they get experience and previous transactions. This can be a new way of qualifying financial advisors, by their previous experience which can reduce the length of the transaction. (Homburg & Bucerius, 2006).

These previous experiences can deliver a better service to the customer, a more affective transaction as they got specialized in this type of deal. CBAs must face the difficulties in terms of law, culture and accounting differences, which enhances the length of the deal if they don't accomplish the goal in completing the deal using the efficiency got in the past transactions (Li, Xia, & Lin, 2017). The following hypothesis are thus advanced: **Hypothesis 2a**. The duration of an acquisition is lower for an acquirer who hired a high-status financial advisor.

The role of the financial advisor can be very complex in a M&A transaction, and the main role is adding value to the transaction, negotiating better conditions to its client, and also they may check previous the transaction if the acquirer will be able to accomplish synergies after completing the transaction. The job of the financial advisor is considered to be accomplished with strategic technique and previous experience (Bowers & Miller, 1990). Hence, we hypothesize that: **Hypothesis 2b**. The duration of an acquisition is lower for an acquirer who hired a high-status tier financial advisor.

Many researches linked the quality of the financial advisors with their outstanding service, when comparing their services with non-top financial advisors. Some studies linked the quality of the delivered service of the financial advisor with its status (Golubov et al., 2012). Hence, we hypothesize that: **Hypothesis 2c**. The duration of an acquisition is lower is higher for an acquirer who hired a boutique financial advisor.

In terms of cumulative abnormal returns (CARs), some authors studied if this was linked with the financial advisor status. They analyzed that higher status financial advisors got higher CARs and less status financial advisor got less CARS (Michel, Shaked & Lee, 1991). Hence, we hypothesize that: **Hypothesis 2d**. The duration of an acquisition is lower when both parts hired a high-status financial advisor.

Some studies as Bao and Edmans (2011) empirically tested that known investment bank create a relevant value to M&A transactions, particularly the ones handled by top tier advisors. On contrary, Ismail (2010), says that investment banks have a different way of examining the transaction because they have stronger and heavy structure which boutiques don´t. Because of that boutiques can deliver a distinct service (Allen et al., 2004). Hence, we hypothesize that: **Hypothesis 2e**. The duration of an acquisition is lower when both parts hired a high-status tier financial advisor.

The boutique financial advisors are known by its specific service made for its customers. They deliver a unique service as they understand of the customer´s industry. (Kadan et al., 2012). Hence, we hypothesize that: **Hypothesis 2f**. The duration of an acquisition is lower when both parts hired a boutique financial advisor.

3.4 METHOD

3.4.1 Data and sample

Data for this study were collected from multiple secondary sources. Data on the cross-border acquisitions was extracted from the Thomson Financial Merger & Acquisition database (SDC Platinum). This database is the most frequently used in studying domestic and cross-border acquisitions (Capron & Shen, 2007; Capron & Guillén, 2009) and offers information about deal status, date of announcement, completion or abandonment, some characteristics on the target and acquirer, counterparts involved, ownership stake, industries, location, and the financial advisors employed, among others (Erel, Liao, & Weisbach, 2012; Xia et al., 2009).

All data regarding the financial advisor was collected from SDC Thomson Financial Merger & Acquisition database. Thomson Reuters has recorded the one millionth deal in its industry-leading Mergers & Acquisitions database. This database is used worldwide by more than 3,000 investment banks, law firms, hedge funds, educational institutions, and corporations to monitor and report transaction activity, perform market share analysis, and identify new opportunities for business and investment. The database is the only database of its sort to give more than 35 years of historical records, from the 1970s. It monitored over 43,000 transactions in 2015, which represents a record for any single year of global M&A operation.

Our data collection proceeded as follows. Our sample included only Brazilian transactions, which means that both counterparts: the target and acquirer nation were Brazil. The sample was selected by the following period: transactions which were completed between the years 1998 and 2018. The transactions selected were the completed ones between Brazilian acquirers and targets. The final sample consisted of 7,475 M&As.

The sample includes large deals, with 1,354 M&As being transacted at over US$ 50 million. The deals completed were 6058. The acquirers had previous M&A experience in 5,111 cases, meaning that the focal M&A was not the first. Most of the transactions were in related business, such that in 3,798 deals the target and acquirer had the same primary industry classification (using the SIC codes). Moreover, the target firms hired a financial advisor in 1,538 cases, and the acquirer in 1,481 cases. In 635 transactions both acquirer and target firms were represented by a financial advisor. Finally, regarding ownership, 3,906 M&As involved acquiring ownership more than 50% of the target firm's equity.

3.4.2 Variables

We have two dependent variables: the completion and duration of the M&A transactions. Following prior studies (Zhang, Zhou, & Ebbers, 2011; Muehlfeld, Sahib & Van Witteloostuijn, 2012; He & Zhang, 2018) we coded the dependent variable *M&A completion* dichotomously taking the value of one (1) when the M&A announced was completed within the time period of our study (that is, it was completed until the end of 2018), and zero (0) otherwise. Data for the variable is collected from SDC Platinum that reports a number of dates such as the date of announcement, data of withdrawal, and date of actual completion.

The second dependent variable measured the *duration of the M&A* process and refers to the time (usually assessed in days) from announcement to completion. Some deals may be withdrawn or abandoned, and others are simply not completed because the parties do not reach an agreement. Since we considered M&As that were completed and withdrawn deals, duration was measured in days on the completed cases, from announcement to affective date, with data collected from SDC Platinum, also following extant procedures (Muehlfeld, Sahib & Van Witteloostuijn, 2012; He & Zhang, 2018).

3.4.3 Independent variables

The information for the independent variables, *the acquirer financial advisor high status*, *the acquirer financial tier* and *the acquirer financial advisor boutique*, were gathered from the Thomson Financial Merger & Acquisition database (SDC Platinum). Our independent variables of interest are the reputation of the financial advisor. As mentioned before some research was made on the financial advisors' reputation, comparing the boutique quality service to the investment banks service (Bi & Wang, 2018). They defend that the financial advisor which have more reputation can add more value in a transaction when comparing with other financial advisors. Bao and Edmans (2011) empirically tested that known investment bank create a distinction to M&A transactions, particularly the ones handled by top tier advisors.

Specifically, we utilize league tables provided by the SDC database, while the end-of-year rankings of each financial advisor prior to an M&A deal announcement are matched to each deal in our sample. We define the *high status financial advisor* by classifying the financial advisors under both classifications (1) total dollar value of transactions handled by the advisor during the sample period and (2) the number of transactions handled by the advisor during the sample period. The *high-status financial advisors* are the five top ones: Credit Suisse, Itau Unibanco, Banco Bradesco SA and JP Morgan and Banco BTG Pactual SA.

We define the *acquirer financial advisor tier* classifying the financial advisors under both classifications (1) total dollar value of transactions handled by the advisor during the sample period and (2) the number of transactions handled by the advisor during the sample period. The *acquirer financial advisor tier* was classified into 3 tiers (tier 1, tier 2 and tier 3). Our tier-1, tier-2, and tier-3 advisors are defined to be the top-ranked 15 advisors, the 16th to 50th ranked advisors, and the rest (51st to 141st advisors), respectively.

Finally, we define the *acquirer financial boutique* classifying the financial advisors under two classifications based on two different criteria: (1) financial advisor is a bank institution (2) the financial advisor is a boutique.

Rank by Value Rank	Rank by Value Advisor	Rank Value per Advisor Rank Value (US$ bi)	Number of Deals per Advisor # of Deals
1	Credit Suisse	186	295
2	Itau Unibanco	184	477
3	Rothschild & Co	166	141
4	Banco Bradesco SA	150	250
5	Morgan Stanley	150	113
6	JP Morgan	129	162
7	Goldman Sachs & Co	120	147
8	Banco BTG Pactual SA	117	341
9	Santander Corp & Invest Bkg	116	188
10	Citi	107	139
11	Bank of America Merrill Lynch	84	109
12	Barclays	61	38
13	UBS	58	115
14	Deutsche Bank	41	48
15	Lazard	39	41
16	Estater Gestao e Financas	30	39
17	HSBC Holdings PLC	22	29
18	RBC Capital Markets	21	5
19	BNP Paribas SA	20	33
20	BR Partners	19	100
21	Riza Capital Consultoria de	16	2
22	Angra Partners	15	9
23	Industrial & Comm Bank China	13	7
24	Credit Agricole CIB	13	13
25	Banco Espirito Santo SA	11	59
	Below top 25	1886	2900
	Industry Total	2055	7487

3.4.4 Control variables

As mentioned before on this research, we do expect that top financial advisors are able to deliver a better service when compared with the financial advisors with less reputation. We also included many control variables of the acquirer and target characteristics, transaction information's, industry information, tech industry particularly, business level, governance level, previous experience, and year level.

Our control variables include *deal size*, because larger deals take longer time to complete and larger deals may be more complex and require firms to pool together a larger volume of capital do complete the acquisition. The deal size is the value of the transaction, which range from 1 million dollars (minimum value to be included in the database SDC) to several billion, we operationalized as a continuous variable. Data collected from SDC of Thomson.

We also controlled the variable *deal size_50mm,* which we classified the M&A transactions which were the deal size was at least U$S 50 million. Complexity of the transaction increases with deal size. We operationalized as a dummy variable with a value of 1 if the deal size was at least U$S 50 million, and a value of 0 if it was less than U$S 50 million. Data collected from SDC of Thomson.

The acquirer experience in mergers and acquisitions were also controlled because we expect that the less experience the acquirer or the target has in mergers and acquisitions, the higher the demand for financial advisors. The *acquirer experience quantity is the quantity of M&A transactions the acquirer experienced in our sample*. We operationalized this variable as the count of prior M&As transacted prior to the focal M&A experienced by the acquirer, with data collected from SDC Platinum.

The other control variable to experience is the acquirer previous experience to account for the affect of learning experience. We operationalized as a dummy variable with a value of 1 if an acquirer had prior M&A experience, and 0 otherwise. Data was collected from SDC of Thomson.

The control variable for the form of the M&A transaction was used because we expect that the more complex is the M&A transaction, the higher the demand for financial advisors. We classified all the M&A transactions by the form: (1) merger, (2) acquisition of majority assets, (3) acquisition of assets, (4) acquisition of remaining interest and (5) acquisition of partial interest. Data collected from SDC of Thomson.

At the transaction level we controlled the business level relatedness because we expect that the less relatedness business between the counterparts on the M&A transaction, the higher the demand for financial advisors. Relatedness was used to control for the affect if the acquisition occurred in the same industry. We classified *relatedness* as a dummy variable taking the value of 1 if an acquirer acts at the same industry (at 4 digits SIC code), of the target firms, and of 0 otherwise.

At the business level we also controlled a variable related to the technology industry the *acquirer_tech_industry*. We operationalized as a dummy variable with a value of 1 if the acquirer is from a technology industry, and a value of 0 if it was from other industries. Data collected from SDC of Thomson.

And the *target_tech_industry* we operationalized as a dummy variable with a value of 1 if the target is from a technology industry, and a value of 0 if it was from other industries. Data collected from SDC of Thomson.

Other control variables were made using the public information of the counterparts in the M&A deal, because public companies tend to be involved in complex M&A transactions, that's why they will probably hire a financial advisor. *Target public* indicates whether the target firm is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable taking the value of 1 for target firms that are public, and 0 otherwise. Data was collected from SDC of Thomson.

We also controlled the governance of the acquirer: *acquirer public* indicates whether the acquirer is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable with a value of 1 if an acquirer is a publicly traded firm and a value of 0 otherwise. Data collected from SDC of Thomson.

Another control variable was the quantity of financial advisors involved in the M&A transaction. We expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. The *target_FA_quantity* indicates how many financial advisors were hired by the target. It was operationalized as a continuous variable as the count of hired financial advisor by the target. Data collected from SDC of Thomson.

The *acquirer_FA_quantity* indicates how many financial advisors were hired by the acquirer. It was operationalized as a continuous variable as the count of hired financial advisor by the acquirer. Data collected from SDC of Thomson.

We also controlled if the financial advisors were hired by both counterparts or not, because we do expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. We controlled that with the variable *FA_one_side*, which indicates that we had only one financial advisor hired by one part at the M&A transaction. It was operationalized as a dummy variable with a value of 1 if we had a financial advisor assessing one of the counterparts and a value of 0 otherwise. Data collected from SDC of Thomson.

The other control variable was the *FA_both_sides*, which indicates that we had financial advisor hired by the two parts at the M&A transaction. It was operationalized as a dummy variable with a value of 1 if we had a financial advisor helping two counterparts and a value of 0 otherwise. Data collected from SDC of Thomson.

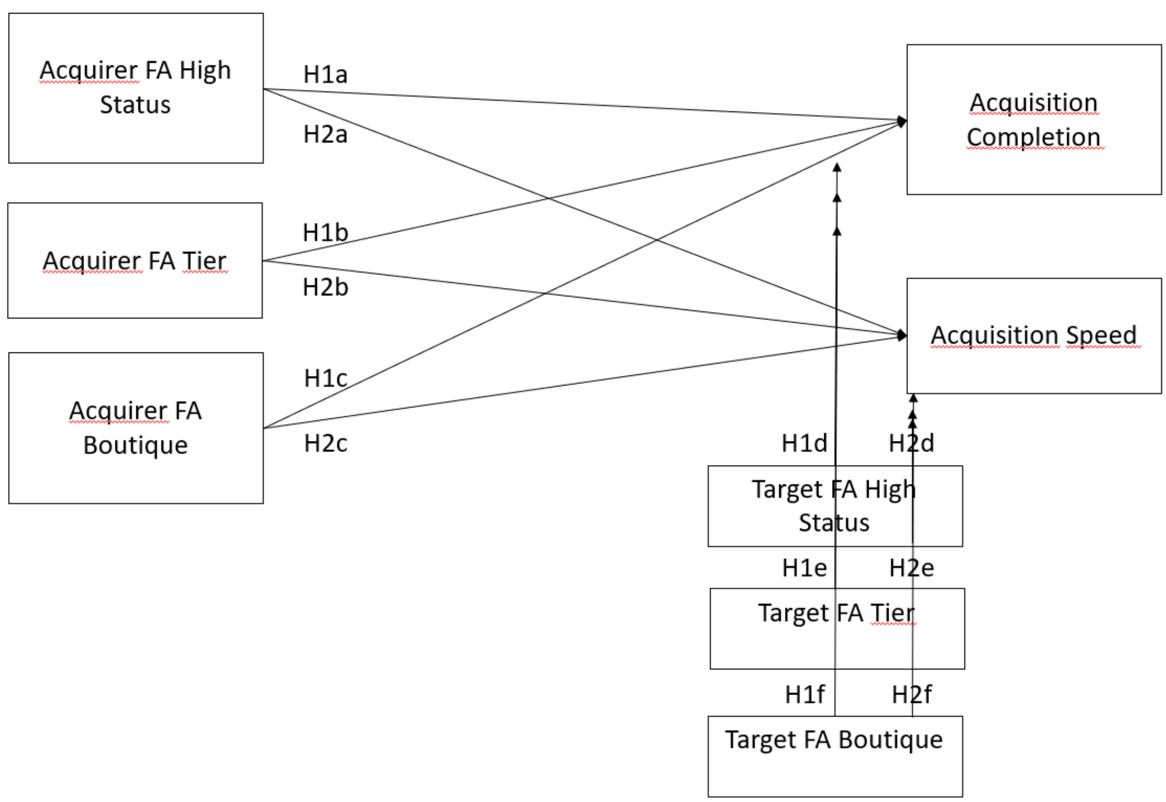
We also controlled the attitude of how it was conducted the M&A transaction, because we expect that more friendly it occurred the less, they will hire a financial advisor. The *friendly attitude* indicates if the M&A transaction was conducted friendly. It was operationalized as a dummy variable with a value of 1 if it has a friendly attitude and a value of 0 otherwise. Data collected from SDC of Thomson.

To control the complexity of the transaction we also used the percentage that it was bought from the target by the acquirer, because we expect that more complex is the transaction more the counterparts will need a financial advisor. The variable is the *the %_acquired* we operationalized as a continuous variable with the value of the percentage acquired of the target on the M&A transaction. Data was collected from SDC of Thomson.

We also controlled the complexity of the transaction by checking if the acquirer bought control of the target company, which means that bought more than 50% of the target. The variable was the *acquired_control* was used to control for the affect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%. Data collected from SDC of Thomson.

Finally, we used the year the acquisition was announced as a control to account for potential economic cycles capable of influencing our model. We included a dummy variable for each year between 1998 and 2018, using 2018 as the base year. The Figure 3.1 illustrates the hypotheses model and its variables.

Figure 3.1. Hypotheses Model



Source: the author (2020)

As we have a quantitative research study we perform some logistic regressions to determine the factors that affect the hire of a financial advisor considering that M&A transactions are more often completed and completed faster when the counterparts hire a financial advisor. We argue that the highest the status of the financial advisor the greater de rate of completion and the faster de completion. Logistic regression in this sense tends to be a very useful analysis technique for the modelling and discrimination problems in business .Since it has alternative assumptions about the distribution of data, it generates more appropriate and correct results in terms of model fit and analytical correctness.

3.5 RESULTS

To test the hypotheses, we conducted two sets of logistic regressions, one for each dependent variable. In the first case our variable is dichotomous since the acquisition may, or may not, be completed. In the second case our variable is continuous since is the days of duration of the M&A process. Table 3.1 presents the correlations matrix. The correlations are not as high as to raise multicollinearity concerns and there is no evidence of multicollinearity in the data. In all regressions, the variance inflation factor (VIF) ranged from 1.1 to 3.4.

Table 3.1. Descriptive statistics and correlations matrix

Correlations

		Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	Deal_size	102.84	735.51	1.00																							
2	Deal_size_>50mm	0.18	0.39	.285**	1.00																						
3	Acquirer_experience_quantity	27.16	84.20	0.01	.034**	1.00																					
4	Acquirer_previous_experience	0.68	0.47	.041**	.097**	.211**	1.00																				
5	Form	2.99	1.43	-.040**	0.02	.059**	.080**	1.00																			
6	Relatedness	0.51	0.50	0.02	0.01	-.211**	0.00	-.079**	1.00																		
7	Acquirer_tech _industry	0.05	0.21	-0.01	-.036**	-.053**	.024*	-.066**	0.01	1.00																	
8	Target_tech _industry	0.06	0.24	-0.01	-.053**	-0.02	0.02	-.032**	-.053**	.561**	1.00																
9	Target_public	0.53	0.50	.095**	.239**	.030**	0.01	.221**	-0.01	-.068**	-.095**	1.00															
10	Acquirer_public	0.66	0.47	.057**	.163**	-.320**	.148**	0.00	.145**	-0.02	-.031**	.086**	1.00														
11	Target_FA_quantity	0.26	0.60	.258**	.367**	.026*	.066**	-0.02	-.035**	0.00	0.00	.173**	.049**	1.00													
12	Target_FA_tier	0.32	0.73	.090**	.203**	0.02	0.01	-.031**	-0.02	-0.01	-.035**	.082**	.036**	.673**	1.00												
13	Target_FA_boutique	0.88	0.33	-.170**	-.358**	-0.02	-.061**	0.01	.023*	0.00	.035**	-.167**	-.089**	-.665**	-.397**	1.00											
14	Target_FA_high_status	0.08	0.27	.121**	.255**	0.01	.041**	0.00	-.030*	-.024*	-.043**	.117**	.042**	.532**	.274**	-.792**	1.00										
15	Acquirer_FA_quantity	0.26	0.61	.265**	.381**	0.00	.105**	-.066**	.044**	0.00	-0.01	.101**	.102**	.337**	.178**	-.286**	.160**	1.00									
16	Acquirer_FA_tier	0.30	0.71	.098**	.233**	-0.01	.080**	-.064**	.041**	0.00	0.01	0.02	.052**	.175**	.127**	-.182**	.113**	.697**	1.00								
17	Acquirer_FA_boutique	0.87	0.33	-.200**	-.385**	0.00	-.081**	.037**	-0.01	0.01	0.02	-.136**	-.127**	-.304**	-.187**	.290**	-.194**	-.672**	-.416**	1.00							
18	Acquirer_FA_high_status	0.09	0.28	.133**	.271**	0.00	.069**	-.041**	-0.01	-.023*	-.027*	.091**	.082**	.232**	.147**	-.209**	.142**	.544**	.310**	-.820**	1.00						
19	FA_one_side	0.23	0.42	.048**	.175**	.024*	.055**	-0.02	-.042**	-.054**	-0.02	.062**	-0.01	.331**	.407**	-.237**	.227**	.299**	.393**	-.231**	.203**	1.00					
20	FA_both_sides	0.08	0.28	.205**	.379**	0.00	.071**	-.056**	.028*	.028*	0.00	.134**	.125**	.581**	.435**	-.546**	.373**	.593**	.443**	-.581**	.455**	-.168**	1.00				
21	Friendly_attittude	0.88	0.33	-0.02	-.070**	-.036**	-.132**	-.350**	-.077**	.051**	0.02	-.209**	-.036**	-0.01	.053**	-.028*	.026*	.040**	.061**	-.043**	.036**	.031**	.039**	1.00			
22	%_acquired	55.51	43.67	0.01	-.053**	-.028*	-.134**	-.495**	.081**	.092**	.071**	-.230**	-.131**	0.02	.063**	0.01	-0.01	.032**	.059**	0.00	0.01	.044**	.030*	.353**	1.00		
23	Acquired_control	0.52	0.50	0.01	-.057**	-.033**	-.128**	-.564**	.094**	.096**	.080**	-.226**	-.124**	0.01	.052**	0.02	-0.02	0.02	.050**	0.01	0.00	.034**	0.02	.317**	.936**	1.00	
24	Acquisition_completion	0.81	0.39	0.00	-.026*	.044**	-.098**	-.129**	-.071**	.047**	.065**	-.226**	-.180**	.059**	.087**	-.030**	0.01	.073**	.071**	-.037**	.031**	.081**	.050**	.350**	.615**	.506**	1.00

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3.2 includes the results of the logistic regression for the dependent variable: acquisition completion. Model 1 includes only the control variables. Models 2 to 7 test the hypotheses. Model 8 is the complete model. In model 2 we test H1a suggesting positive relation between the completion of an acquisition and the acquirer hiring a high-status financial advisor. A positive and insignificant coefficient (β=0.470, $p>0.1$) denotes that the affect is contrary to our predictions. Model 3 tests H1b proposing an affect of the tier of the financial advisor hired on the acquisition completion and this hypothesis was not confirmed by a negative and insignificant coefficient (β=-0.521, $p>0.1$). Finally, we found a positive and insignificant coefficient for the affect on the completion of the acquisition when the acquirer hires a boutique (β=0.309, $p>0.1$) and thus we fail to confirm H1c. However, regarding controlling variables, our results show that in the Model 5, when we have a high-status financial advisor in both sides (acquirer and target) this hypothesis was confirmed by a positive and significant coefficient (β=0.850, $p<0.01$). In Model 6, when we have financial advisors in both sides (acquirer and target) the tier of them can be related to the completion of the acquisition. This hypothesis was not confirmed by a negative and significant coefficient (β=-4.745, $p<0.01$). Finally, on the Model 7 we fail to confirm that boutique advisors can complete acquisitions when hired by both sides (acquirer and target).

This is prima facie evidence that the affect of the reputation of the financial advisors on the completion of the acquisition is not straightforward. However, we found that if both parts have a financial advisor, a high-status financial advisor more it will be completed the acquisition process. And we also found that the tier classification when we have financial advisors in both sides can also affect the completion of the acquisition. The negative coefficient is due to the classification tier, the lower tier (1) are classified the top financial advisors. We can conclude that the better the financial advisors in both sides we will have more chance to have a completed acquisition.

Table 3.2. Logistic regression results: acquisition completion

Logistic regression for the acquisition completion

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Acquirer_FA_high_status		0.470						-0.313
Acquirer_FA_tier			-0.521					2.142
Acquirer_FA_boutique				0.309				1.753
Acquirer_FA_high_status X Target_FA_high_status					0.850 ***			1.122 **
Acquirer_FA_tier X Target_FA_tier						-4.745 ***		-4.700 ***
Acquirer_FA_boutique X Taget_FA_boutique							0.367	-0.089
Deal_size	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Deal_size_50mm	0.503 **	0.493 **	0.507 **	0.489 **	0.438 *	0.451 *	0.458 **	0.410 *
Acquirer_experience_quantity	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **	-0.002 **
Acquirer_previous_experience	0.639 ***	0.639 ***	0.645 ***	0.638 ***	0.643 ***	0.687 ***	0.638 ***	0.698 ***
Form	-2.482 ***	-2.500 ***	-2.499 ***	-2.491 ***	-2.494 ***	-2.494 ***	-2.473 ***	-2.492 ***
Relatedness	0.214	0.223	0.211	0.214	0.236 *	0.184	0.221	0.220
Acquirer_tech_industry	0.419	0.414	0.402	0.410	0.415	0.485	0.409	0.349
Target_tech_industry	-0.846 **	-0.816 **	-0.815 **	-0.825 **	-0.786 **	-0.941 ***	-0.814 **	-0.864 **
Target_public	1.794 ***	1.807 ***	1.810 ***	1.801 ***	1.811 ***	1.804 ***	1.797 ***	1.809 ***
Acquirer_public	1.715 ***	1.717 ***	1.715 ***	1.711 ***	1.704 ***	1.762 ***	1.699 ***	1.755 ***
Target_FA_quantity	0.164	0.107	0.029	0.124	0.132	0.063	0.157	0.096
Acquirer_FA_quantity	0.077	0.167	0.229	0.166	0.081	-0.114	0.103	-0.206
FA_one_side	-0.274	-0.350	-0.490	-0.335	-0.589 **	-0.415	-0.451	-0.697 *
FA_both_sides	-0.052	-0.346	-0.588	-0.261	-0.799	-3.902 **	-0.370	-4.224 ***
Friendly_attittude	-1.986 ***	-1.987 ***	-1.979 ***	-1.983 ***	-1.983 ***	-2.057 ***	-1.978 ***	-2.057 ***
%_acquired	174.754	174.709	174.446	175.041	173.255	171.657	173.730	164.409
Acquired_control	8740.562	8738.286	8725.020	8754.922	8665.491	8585.060	8689.294	8221.851
Year dummy	Included	Included	Included	Included	Included	Included	Included	Included
Constant	-8741.674	######	######	-8756.073	-8666.392	-8582.106	-8690.262	-8220.685
n	7475	7475	7475	7475	7475	7475	7475	7475
R^2	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87
chi-square test	2.2	1.1	1.6	1.5	1.0	0.3	1.2	0.4

Note:***p<0,01, **p<0,05, *p<0,1.

Table 3.3 includes the results of the logistic regression for the dependent variable: acquisition duration. Model 1 includes only the control variables. Models 2 to 7 test the hypotheses. Model 8 is the complete model. In model 2 we test H1a suggesting positive relation between the duration of an acquisition and the acquirer hiring a high-status financial advisor. A positive and insignificant coefficient (β=5.781, p>0.1) denotes that the affect is contrary to our predictions. Model 3 tests H1b proposing an affect of the tier of the financial advisor hired on the acquisition duration and this hypothesis was not confirmed by a negative and insignificant coefficient (β=-4.391, p>0.1). Finally, we found a negative and insignificant coefficient for the affect on the duration of the acquisition when the acquirer hires a boutique (β=-11.481, p>0.1) and thus we fail to confirm H1c. However, regarding controlling variables, our results show that in the Model 5, when we have a high-status financial advisor in both sides (acquirer and target) this hypothesis failed by a negative and insignificant coefficient (β=-2.644, p>0.1). In Model 6, when we have financial advisors in both sides (acquirer and target) the tier of them can be related to the duration of the acquisition. This hypothesis was not confirmed by a positive and insignificant coefficient (β=1.662, p>0.1). However, on the Model 7 we did not confirm the hypothesis that boutique advisors can make acquisitions faster when hired by both sides (acquirer and target). This hypothesis was negative and significant coefficient (β=-14.304, p<0.05).

This is prima facie evidence that the affect of the reputation of the financial advisors on the duration of the acquisition is not straightforward. However, we found that if both parts have a boutique advisor the process can take more time to be completed.

Table 3.3 Logistic regression results: acquisition duration

Logistic regression for the acquisition duration

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Acquirer_FA_high_status		5.781						-4.915
Acquirer_FA_tier			-4.391					-3.074
Acquirer_FA_boutique				-11.481				-6.951
Acquirer_FA_high_status X Target_FA_high_status					-2.644			0.173
Acquirer_FA_tier X Target_FA_tier						1.662		3.666
Acquirer_FA_boutique X Taget_FA_boutique							-14.304 **	-11.924
Deal_size	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Deal_size_50mm	39.457 ***	39.340 ***	38.980 ***	38.512 ***	39.476 ***	39.668 ***	37.635 ***	37.595 ***
Acquirer_experience_quantity	0.043 **	0.043 **	0.042 **	0.043 **	0.043 **	0.043 **	0.043 **	0.043 **
Acquirer_previous_experience	6.543 *	6.501 *	6.635 *	6.548 *	6.538 *	6.542 *	6.431 *	6.551 *
Form	-4.607 ***	-4.579 ***	-4.566 ***	-4.587 ***	-4.614 ***	-4.632 ***	-4.619 ***	-4.655 ***
Relatedness	2.791	2.892	2.864	2.984	2.785	2.755	3.074	3.029
Acquirer_tech_industry	9.587	9.714	9.483	9.713	9.597	9.681	9.155	9.328
Target_tech_industry	-13.050 *	-12.995 *	-12.853 *	-13.099 *	-13.073 *	-13.072 *	-12.226	-12.348
Target_public	17.295 ***	17.228 ***	17.045 ***	17.010 ***	17.296 ***	17.311 ***	16.698 ***	16.542 ***
Acquirer_public	16.527 ***	16.520 ***	16.282 ***	16.321 ***	16.509 ***	16.549 ***	16.071 ***	15.906 ***
Target_FA_quantity	25.307 ***	26.002 ***	22.701 ***	27.232 ***	25.343 ***	25.613 ***	25.568 ***	24.948 ***
Acquirer_FA_quantity	25.852 ***	25.274 ***	27.481 ***	24.318 ***	25.839 ***	26.174 ***	25.949 ***	27.346 ***
FA_one_side	-7.496	-8.631	-3.150	-10.430 *	-7.512	-7.931	-14.417 **	-11.994
FA_both_sides	-1.391	-4.273	6.129	-9.536	-0.928	-5.653	-13.289	-17.954
Friendly_attittude	2.644	2.628	2.643	2.433	2.680	2.574	2.087	1.906
%_acquired	-0.040	-0.040	-0.042	-0.041	-0.040	-0.040	-0.044	-0.044
Acquired_control	-17.471 *	-17.380 *	-17.155 *	-17.234 *	-17.509 *	-17.522 *	-16.648 *	-16.607 *
Year dummy	Included	Included	Included	Included	Included	Included	Included	Included
Constant	25.543 **	25.429 **	25.552 **	37.234 ***	25.548 **	25.666 **	40.663 ***	45.600 ***
n	7475	7475	7475	7475	7475	7475	7475	7475
R^2	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
chi-square test								

Note:***p<0,01, **p<0,05, *p<0,1.

3.6 DISCUSSION AND FINAL REMARKS

In this study, we examined analyze which is the impact of the financial advisors and boutiques reputation influence the duration and the completion of a M&A transaction in Brazil. We proposed that the transaction gets completed or even goes faster if the counterparts in the M&A transaction hire a financial advisor or a boutique. We also proposed that the highest status of the financial advisor or boutique the transaction has more chances to be completed and even in faster terms. Our main findings point that if both parts have a high-status financial advisor more chances will have to be completed the acquisition process. And we also found that the tier classification when we have financial advisors in both sides can also affect the completion of the acquisition. However, in terms of the duration we found that if both parts have a boutique advisor the process can take more time to be completed.

Possibly a M&A transaction increases the difficulties in studying a potential target when the acquirer does not hire a financial advisor. In these instances, a financial advisor may be useful to reduce the asymmetry information between the counterparts. That is probably the reason we were able to confirm that if both parts have a high-status financial advisor more chances, we will have to complete the M&A transaction. That is the reason financial advisors are assigned to advise the acquirer and the objective of valuing the acquisition premium, identifying synergistic acquisition partners, negotiating favourable conditions and providing technical and strategic help throughout the purchase (Bowers & Miller, 1990).

Hiring financial advisory services can possibly reduce transaction costs and information asymmetry between the acquirer and the target company (Benston & Smith, 1976; Servaes & Zenner, 1996). It is important to enhance that our finding also is linked with the status of the financial advisor. In our study we find that as we have a higher status, we will have more chances of completing the transaction.

Finally, in terms of the duration we found that if both parts have a boutique advisor the process can take more time to be completed. This finding was previous found by Song et al. (2013) specifically investigates the choice of companies between boutique and full-service financial advisors and the affect of this selection on the premium deal, the velocity of completion of the deal, and the likelihood of completion of the deal. They discover that hiring a boutique financial advisor relates to longer length of the agreement and does not impact the rate of completion of the agreement.

This study contributes to the literature on the impact of the length and the completion of a M&A transaction in the process of hiring a financial advisor. Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in a transaction (Servaes & Zenner, 1996). Our results confirm that the reputation of the financial advisor can impact the length and the completion of the transaction, specifically when they have advisory in both parts.

As our results have. All these aspects make the role of the financial advisor very important for a success M&A deal.

This study seeks to maximize the internal validity by assuring rigorous control of the data collection, which can be replicable in other studies. It also establishes a trustworthy cause-and-affect relationship as we examine analyze which is the impact of status of a financial advisor influences the duration and the completion of the M&A deal. On the external validity point of view, we consider that it refers to the extent to which our results can be applied (generalized) to other countries for example. Future studies in different rising economies, or economies, or with other target countries than Brazil, could offer a higher understanding of which is the impact of the status of the financial advisor can influences the M&A transaction.

3.6.1 Limitations and future research avenues

This study has limitations. First, the limitations imposed by insufficiencies in the available data that unable additional analyzes. For instance, it would be relevant to consider if the acquirer had previous experience in another target country. We only considered previous experience in the actual country (Brazil). Other data potentially relevant include data on the previous experience. Moreover, the acquirer's lack of experience with acquisitions and lack or absence of prior experience in the target country may inhibit the confidence of stakeholders in the deal. Other aspects that may raise concerns refer to the misidentification of asset complementarities, complications in valuation of the target and informational asymmetries, that may have an adverse affects adverse affect on the success of the transaction (Dikova et al., 2010). Future research will possibly require data collect on the previous experience of the acquirer by country.

Other limitation considerations the main target on acquisitions within the Brazilian transactions. Although we tend to believe that Brazilian market cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of world transactions, that are more and more actively collaborating in M&A transactions. Future studies in different rising economies, or economies, or with over Brazilian transactions, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

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4 STUDY 3: HOW THE COMPLEXITY OF THE BRAZILIAN M&A TRANSACTIONS INFLUENCES THE HIRING OF FINANCIAL ADVISORS

ABSTRACT

We examine which is the impact of the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions in Brazil. Specifically, we investigate whether the acquirer hires financial advisor or not. We defend that the acquirer is more likely to hire a financial advisor when acquiring control of the target. We also propose that deal size, the acquirer previous experience and the relatedness of the counterpart's industry can influence this relation. Using longitudinal data on 7596 M&A transactions in Brazil during 1998-2019, we empirically test the hypotheses with a set of logistic regressions. The findings have important implications for researchers and managements. Our results summarize that: buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor. Actually, greater the deal size, more the acquirer tends to hire a financial advisor. Other important discover was that more experience the acquirer has in M&A transactions more they hire an advisor. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t motivate the acquirer in hiring an advisor.

Keywords: Mergers and acquisitions, Financial advisors, Deal complexity, Industry relatedness, Previous experience

4.1 INTRODUCTION

It is particularly important to understand how companies select their financial advisors in mergers and acquisitions (M&As), as the one of the most important strategic movements a company can do to grow fast and accomplish its goals of strategic planning. Notwithstanding this, there are studies which made some investigation on what motivates companies in choosing their financial advisors. Rau (2000), for instance, discovered that first-tier investment bank advisors use to earn higher abnormal returns, when comparing with other financial advisors with less reputation. Francis et al. (2014) discover that is important for the company to hire a qualified financial advisor for the success of the transaction.

However, some researchers have not found any connection between the quality of the advisor with the value added on transaction (Bowers & Miller, 1990; Michel, Shaked & Lee, 1991). As Ismail (2010) did, and also added that, quality services in financial advisor can add outstanding value to the transaction because they have ability to find better targets, which will result in better synergies after the completion of the transaction. ;). Therefore, while existing research has made significant inroads into understanding the hire of financial advisors, it is uncertain which is the financial advisor profile that is being chosen by the customers and what motivates this kind of hiring.

Most of the studies on this topic made progress on the abnormal returns on the stock price of the acquirer, after the announcement date (Finnerty et al., 2012). This is important because it a way to measure the reduction of transactions costs and consequently the information asymmetry which are involved in this kind of transaction (Servaes & Zenner, 1996). There is a type of M&A transaction that is more complex, that are the cross border transactions (CBAs), due to the difference of culture, accountability and laws between the counterparts as they are located in different countries (Kostova & Zaheer, 1999). These CBAs transactions can cause a disaster to all the involved parts, the acquirer, the buyer firms, but also its industry and its employees (Eden & Miller, 2004).

Because of the complexity of the transaction and the need to have a qualified financial advisor, some stakeholders may not trust on the transaction and not even try starting the process (Bettinazzi et al, 2018). The investment banks are the most know and hired financial advisors in this kind of situation, because they have enough experience to help the stakeholders to understand all the situation (Allen et al., 2004). The financial advisors tend to reduce problems in accomplish the transaction due to their ability in this kind of service and also due to their previous experience with other companies (Dikova et al., 2010).

In this research, we empirically evaluate analyze which is the impact of the complexity of the M&A transaction can influence the acquirer firms' hiring financial advisors in acquisitions in Brazil. The main objective is analyze which is the impact of the deal complexity influence on the hire of a financial advisor. This study contributes to the literature on the impact of the institutional environment in the process of hiring a financial advisor, because such experts have the know-how and experience needed for the deal not to denigrate outsourced assistance.

The remainder of this paper is organized as follows. Section 1 has a literature review of the main topics studied and the hypotheses elaboration. Section 2 describes the data used in our investigation and the sample statistics. Section 3 examines the association between target size and the hire of financial advisor. Section 4 provides concluding remarks. Finally, Section 5 provides research limitations and future directions.

4.2 LITERATURE REVIEW

4.2.1 Deal Complexity

Acquiring another company can be a very efficient way for a company accomplish their strategic growth plan, however it can very complex. That is the main reason why most of transactions are abandoned, causing problems to the involved ones, lost and disappointment to the stakeholders. Probably this also causes high prices in this kind of the transaction, because of the risk indeed. (Russo & Perrini, 2006).

In addition, the risks involved in a M&A transaction includes the risk at the transaction, but also the risk post transaction in terms of synergies and combining the business. It is very complex managing those operational issues when combining different companies to accomplish their synergies goal. It is hard even to motivate people involved on these transactions and understand the importance of the deal. These mentioned aspects turn the deal complexity higher and because of that stakeholders should analyze if they are not paying overpriced assets and companies. It must be very clear the strategic goals that the stakeholders are pursuing and what must be done to accomplish it. Otherwise it can be very risk and expensive for the stakeholder if the transaction fails. Even though the advantages are extensive, including synergies, market share expansion, growth rates, new resources and potential new business (Zollo, 2003).

Combine the business and use all the potential synergies in the new company can be very challenging and involve a complex process. This can be minimized if both counterparts involved in the transaction are acting in the same industry sector. However, the difficult also exist in these cases, evaluating all the potential synergies and accomplish their affectiveness after the transaction is completed. That is one of the most important roles of the financial advisors, understanding and considering those synergies post transactions in the deal (Walter, Yawson & Yeung 2008).

Acquiring control can make the process even more complex in terms of difficulties in executing (Grossman and Hart, 1986). Or even the cross-border transactions, already mentioned here, which higher the complexity of the deal. That is explained by the different cultures, nations, laws, and accountability process (Morosini, Shane & Singh, 1998), which demands knowledge in different markets (Rumelt, 1974) and the domestic knowledge in the M&A market is not enough to accomplish the successful of the transaction (Norburn & Schoenberg, 1994).

Adding on the acquiring control complexity, Antras, (2003) realized that acquisitions in merger markets can be very challenging, once the acquiring on will probably face inefficiency a difficult in managing their existing contracts. On the other hand, acquiring control on developed markets can bring efficiency to the transaction, possibility the access to get the synergies gains. Also, resolution on contracts, accessing new technology and patents. Items more common seen on this type of country. M&A transactions sometimes are not cooperative deals which implicates in the need of better agreements and accomplishing the gain of potential synergies. (Kesner, Shapiro & Sharma, 1994).

The executives involved on the transactions may sometimes not be aligned with the firm's strategic goals and also don't have the previous experience that would be needed to achieve transaction successful. Administrators with previous experience have already participate on this kind of transaction, make the chances higher of the transaction be faster and completed. However, the lack of these process ability induces the managers in looking for external advisor, hiring the financial advisors (Zollo & Singh, 2004).

Other point that can make the process more complex is how the managers will pay for the financial advisors, most of the time they usually pay in two tranches, the fixed one and the variable. The variable fee is linked with the value added on the transaction. This tool is used to reduce the conflict of interests between the manager and the financial advisor and to improve the deal in terms of efficiency, knowledge, and experience. The financial advisor ability to do the entire process, can enhance the added value for the stakeholders by providing a more accurate process, achieving the initial goals (Zollo & Singh, 2004). The financial advisor payments are linked with the success of the transaction and also with the need of the managers of their ability in the entire process (Russo & Perrini, 2006).

The payment of the financial advisors is calculated by the value of the transaction and also by the return on the stock price after the announcement date. This can be a complex way to calculate their fee, however some transactions are made with public companies, and their value is a combination of stocks and cash payment. (Martin 1996).

Less skill financial advisors can charge less than the top financial advisors, what makes the doubts for the executives when hiring this kind of service. In summary, financial advisors are willing to be hired on advising greater deals in order to have higher fees, however this will implicate also in complex deals which can be a challenge (Bettinazzi, et al.,2018).

Larger deals are more complex in terms of advising because they demand more skills from the financial advisors, the agreement is more complex and needs to be detailed. These reasons turn the larger deals harder to execute, however the abnormal returns after the completion of the transaction expected is higher also (Walter, Yawson & Yeung 2008).

4.2.2 Financial advisors in acquisitions

Several studies have evaluated the hire of the financial advisors and their impact on the transaction. The topic has been noticed and studied because of its importance to the corporate growth strategy (Chang et al., 2010). The issue is about the real role of the financial advisors and if their ability can improve the M&A transaction, can indeed accomplish the strategic goals with more efficiency and affectiveness and potential gains. (Bao & Edmans, 2011).

In the same research Bao and Edmans (2011) studied the financial advisors' quality and its ranking position if it the actual reputation affects positively in the M&A transaction. They found that the top financial advisors use to delivery more added valued transactions when compared with the other financial advisors on the same ranking. This discover was added by the cumulative abnormal returns empirical study, which shown that investment banks delivery better CARs, when comparing with other non-bank financial advisors (Michel, Shaked & Lee, 1991). Indeed, the top-level financial advisors were investment banks and use to deliver better value added on the transaction. (Bowers & Miller, 1990).

Top financial advisors are the large investment banks, which delivered an affective transaction, faster and with abnormal returns. This was empirically tested by Bao and Edmans (2011) and the outstanding service was notice on those transactions. They make difference and enhance the positive experience of the stakeholders. The quality measured by them can be explained by the ability in identifying and managing the synergy's gains in order to have greater value added on the post transaction (Golubov, Petmezas & Travlos, 2012).

However, some Song, Wei, and Zhou dynasty (2013) defend that financial advisors classified as boutiques advisors can deliver a better process when comparing with the investment banks. Because of their asset light structure and knowledge on the counterpart's industry. On the same point of view, an empirical research was made by to check if the investment banks could deliver quality and efficiency to their clients. This result indicates that the financial advisors have more asset heavy structure and they act differently depending on the deal size (Ismail, 2010).

Other research (Golubov, Petmezas & Travlos, 2012) found that top-tier advisors deliver higher bidder returns in public transactions, than their non-top-tier. This probably happens because of the ability of the top-tier advisors' in identifying and accomplish the synergies gains after the transaction. The motivation of the choice of the financial advisors by the executives is still unknown by the existent literature. However, they found that previous relationship with the advisors enhance the probability in being hired on a strategic movement like an M&A (Chang et al., 2010).

Another empirical study was made to investigate the previous relationship with the company and the financial advisor, as its commercial bank also. They evaluate 473 European M&A transactions completed in the period 1994–2003 and confirm that this previous relationship motivates the hiring of a financial advisor. However, they also found that the complexity of the transaction and the reputation of the financial advisor impacts positively on the choice at the M&A advisor (Francis et al., 2014). This study was a complement made by Forte et al. (2010), which also investigated the previous relationship, reputation of the financial advisor chosen.

Finally, to corroborate the study made by Sibilkov and McConnell (2014) confirms again that previous client performance is a significant determinant of the likelihood that an investment bank will be chosen as financial advisor. And some previous research found that the relationship can be also not only as the main bank, as commercial previous relationship. It can be in Capital markets, as for example in debt and equity issuing previous offers (Fang, 2005). The previous relationship on the equity capital markets, as for example the IPO offer made with the Investment bank advisory creates previous track record for the M&A transaction (Beatty & Welch, 1996; Carter, Dark, & Singh, 1998).

The current empirical literature on the hiring of the financial advisor is inconclusive; however, these studies do not discuss the impact of choosing financial advisor when involving a complex transaction. The present study evaluates the link between the hiring of financial advisor with the complexity of the M&A transaction.

4.3 HYPOTHESES

Significant research was made to discover if a previous alliance between firms can influence in a strategic alliance as an M&A transaction. They suggest that it will depend on factors like the degree of trust between the companies, the value added on this kind alliance and finally the work routines that are shared between them (Mellewigt et al., 2017). On this search of what motivates an M&A transaction, a study investigated the affect of many aspects as geographical, organizational, institutional, and industrial proximity can enhance the probability that counterparts can begin a M&A process. They investigate 4261 deals between 2000–2011 and found that all the mentioned forms of proximity have a positive affect (Boschma et al., 2016)

Other studies found that institutional logics affected on the M&A motivations, one of the most important one was the power of the board representation between the internal e external power (Zhang & Greve, 2017). Investigating the difference between the private and the public targets in a study they found that acquirers of private targets perform better after the announcement date than the public ones, because of the expectation of the shareholders (Capron & Shen, 2007). Other study found that family business face difficulties in getting int an M&A process because they have a high-risk aversion (Gomez-Mejia et al., 2018; Miller et al., 2010).

Transactions can be motivated because of the need of a company to explore (develop new areas) or exploit (reinforce existing ones). These needs can force the company to look for a target, and to learn about the M&A transaction (Phene et al., 2012). This need will make the company improve by itself, learning how to execute the transaction, and also to work different as they were used to. Probably they will transfer knowledge between the counterparts (Hayward, 2002). This process of acquiring another firm it obligates the firm in learning with the transaction and through the target. And it is important to mention that each deal is different form the other but for sure the previous experience remains on the executive's skills for the next transactions (Vermeulen and Barkema, 2001; Barkema & Schijven, 2008).

The acquiring of majority power may be critical particularly in circumstances where full contracts are difficult to create or execute (Grossman and Hart, 1986). Problems of inefficient monitoring and incomplete contracting are particularly significant in emerging markets. (Antras, 2003). That would justify the hire of a financial advisor. Hence, we hypothesize that: **Hypothesis 1a.** Acquirer firms are more likely to hire a financial advisor when acquiring control of the target.

The size of the deal is an important proxy for its complexity. Bigger targets are frequently more complex and difficult to value than smaller targets, and hence greater is the need of a financial advisor (Walter, Yawson, & Yeung 2008). Bigger targets need more attention for the acquirer and it´s advisors, because they tend to be more complex in terms of analyzes. They have more employees, business units, internal areas, products, revenues, complexity logistic scheme and tax law complexity, more time will be needed for the due diligence for a M&A transaction (Karlinsky & Burton, 2011). Hence, we hypothesize that: **Hypothesis 1b.** The positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is stronger when the deal size is bigger.

Ismail (2010) added that, with superior experience in the M&A industry, higher quality advisors have the ability to find better targets and create greater organizational and financial synergies for investors. In addition, the deal completion is expected to be faster when a financial adviser is used because of their previous experience in this type of transaction. The previous experience for a consolidating company, which had already bought some targets, aggregates experience and maturity in this kind of transaction. This can influence in the chose of not hiring any financial advisor, and the company tend to the strategic movement in house with hiring any kind of financial advisor. The previous experience can make the company learning increase its M&A capability (Trichterborn et. Al, 2016). Hence, we hypothesize that: **Hypothesis 1c.** The positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is weaker when the acquirer has previous experience.

In addition, whether both counterparts, the acquirer and target, operate in the same industry is an important deal characteristic. The total of future synergies may be easier to evaluate and to happen when both counterparts operate in the same industry, that’s the reason they probably will hire less financial advisors on this kind of deal (Walter, Yawson, & Yeung 2008). An acquirer which buys a target on the same industry that it already knows is easier than buying a target on a different industry. This happens because they already know the industry, the market, their stakeholders, customers, suppliers, accountability, partners, law, among other aspects (Canina, et. al 2010). Hence, we hypothesize that: **Hypothesis 1d.** The positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is weaker when the acquirer and the target act in a relatedness industry.

4.4 METHOD

4.4.1 **Data and sample**

Data for this study were collected from multiple secondary sources. Data on the cross-border acquisitions was extracted from the Thomson Financial Merger & Acquisition database (SDC Platinum). This list is the most widely used in the study of domestic and cross-border acquisitions (Capron & Shen, 2007; Capron & Guillén, 2009) and offers information on the status of the deal, the date of announcement, completion or withdrawal, other characteristics of the target and acquirer companies involved, ownership stake, industries, location, and financial advisors employed, among others (Erel, Liao, & Weisbach, 2012; Xia et al., 2009).

Our collection of data was carried out as follows. Our analysis included only Brazilian transactions that were conducted between 1998 and 2019, where both the goal and the acquirer nation are Brazil. We include both concluded and announced transactions involving buyers and goals from Brazil. We excluded transactions which the Acquires were classified as "Investor Group" which was not possible to identify the Acquirer Company. The final sample consisted of 7,596 M&As.

4.4.2 Variables

We have one dependent variable to ascertain is the decision of hiring a financial advisor, by the acquirer. All data regarding the use or not of financial advisor was collected from SDC Thomson Financial Merger & Acquisition database.

Hiring a financial advisor by the acquirer was coded in a dichotomous variable, for hypotheses 1 were classified if the financial advisor was hired (1), or if not (0).

4.4.3 Independent and Moderating Variables

We have one independent variable in this study. *Control acquisition* was used to control for the affect of acquiring control of the target. It is operationalized as a dummy variable with a value of 1 if an acquirer bought more than 50% of the target, and a value of 0 it was less than 50%.

Among the moderating variables, the *deal size* was used, since larger deals may be more complex and require firms to pool together a larger volume of capital do complete the acquisition. Although the values of a transaction may range from 1 million dollars (minimum value to be included in the database SDC) to several billion, we operationalized as a dummy variable with a value of 1 if the deal size was at least U$S 50 million, and a value of 0 if it was less than U$S 50 million.

The *acquirer experience* in mergers and acquisitions were also controlled, because we expect that the less experience the acquirer or the target has in mergers and acquisitions, the higher the demand for financial advisors. The *acquirer experience* is the quantity of M&A transactions the acquirer experienced in our sample. We operationalized this variable as the count of prior M&As transacted prior to the focal M&A experienced by the acquirer.

The *level relatedness*, because we expect that the less relatedness business between the counterparts on the M&A transaction, the higher the demand for financial advisors. Relatedness was used to control for the affect if the acquisition occurred in the same industry. We classified *relatedness* as a dummy variable taking the value of 1 if an acquirer acts at the same industry (at 4 digits SIC code), of the target firms, and of 0 otherwise.

4.4.4 Control variables

If complex transactions can influence the hire of financial advisors compared to a non-complex transaction, we expect such complex transactions demand more financial advisory. We have further included several control variables at the acquirer and target firms, transaction, industry, and year level.

The control variable for the *form* of the M&A transaction was used, because we expect that the more complex is the M&A transaction, the higher the demand for financial advisors. We classified all the M&A transactions by the form: (1) merger, (2) acquisition of majority assets, (3) acquisition of assets, (4) acquisition of remaining interest and (5) acquisition of partial interest.

At the business level we also controlled a variable related to the technology industry the *acquirer_tech_industry*. We operationalized as a dummy variable with a value of 1 if the acquirer is from a technology industry, and a value of 0 if it was from other industries.

And the *target_tech_industry* we operationalized as a dummy variable with a value of 1 if the target is from a technology industry, and a value of 0 if it was from other industries.

Other control variables were made using the public information of the counterparts in the M&A deal, because public companies tend to be involved in complex M&A transactions, that's why they will probably hire a financial advisor. *Target public* indicates whether the target firm is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable taking the value of 1 for target firms that are public, and 0 otherwise.

We also controlled the governance of the acquirer: *acquirer public* indicates whether the acquirer is a public company and was used to control for the affect of governance. It was operationalized as a dummy variable with a value of 1 if an acquirer is a publicly traded firm and a value of 0 otherwise.

Other control variable was if the target hired a financial advisor involved in the M&A transaction. We expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. The *target financial advisor* indicates if financial advisors were hired by the target. It was coded in a dichotomous variable, for hypotheses 1 were classified if the financial advisor was hired (1), or if not (0).

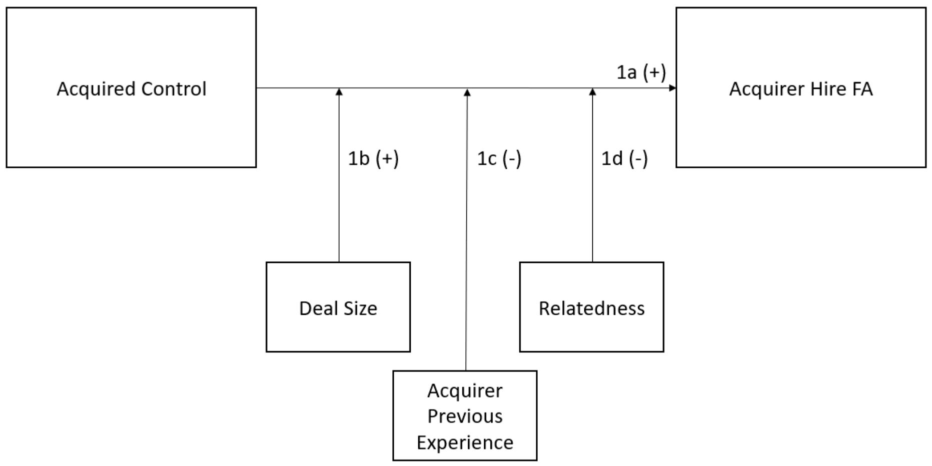
We also controlled if the financial advisors were hired by both counterparts or not, because we do expect that more Financial Advisors involved in the transaction, more it will be faster and the chances to get completed. The other control variable was the *FA_both_sides*, which indicates that we had financial advisor hired by the two parts at the M&A transaction. It was operationalized as a dummy variable with a value of 1 if we had a financial advisor helping two counterparts and a value of 0 otherwise.

We also controlled the attitude of how it was conducted the M&A transaction, because we expect that more friendly it occurred the less, they will hire a financial advisor. The *friendly attitude* indicates if the M&A transaction was conducted friendly. It was operationalized as a dummy variable with a value of 1 if it has a friendly attitude and a value of 0 otherwise

Finally, we used the year the acquisition was announced as a control to account for potential economic cycles capable of influencing our model. We included a dummy variable for each year between 1998 and 2019, using 2019 as the base year.

All the mentioned variables as the dependent variable, which refers to the decision of hiring a financial advisor, by the acquirer. The independent variable that was used to control for the affect of acquiring control of the target and its moderating variables, deal size, acquirer previous experience and the relatedness of the counterparts industry, which complete the model are summarized in the Figure 4.1.

Figure 4.1 – Hypothesis Model



Source: created by the authors (2020)

All data regarding the use or not of financial advisor was collected from SDC Thomson Financial Merger & Acquisition database. Thomson Reuters has recorded the one millionth deal in its industry-leading Mergers & Acquisitions database. This database is used worldwide by more than 3,000 investment banks, law firms, hedge funds, educational institutions and corporations to monitor and report transaction activity, perform market share analysis, and identify new opportunities for business and investment. The database is the only database of its sort to give more than 35 years of historical records, from the 1970s. It monitored over 43,000 transactions in 2015, which represents a record for any single year of global M&A operation.

As we have a quantitative research study, we perform a logistic regression to determine the factors that affect the hire of a financial advisor considering the acquiring of control of the target, deal size, previous experience, and the industry relatedness. Logistic regression is a loglinear modelling and very used to predict a binary dependent variable through a maximum estimation procedure. It has been used to predict based on the model of hypotheses (Hosmer & Lemeshow, 1989 and Tansey et al.,1996).

4.5 RESULTS

To test the hypotheses, we conducted one set of logistic regressions as we have only one independent variable in this study and three moderating variables. Table 4.1 presents the correlations matrix. The correlations are not as high as to raise multicollinearity concerns and there is no evidence of multicollinearity in the data. In all regressions, the variance inflation factor (VIF) ranged from 1.0 to 1.7.

We highlight that some of the control variables for the acquirer hiring a financial advisor is not significant which denotes that the relation sought after is not sensitive, as we found that if the target also hires a financial advisor in the same deal. Actually, if both hires a financial advisor is not sensitive in this case.

However, we were able to confirm positive and significant affects for the acquirer tech industry, which denotes that if the acquirer is from a tech industry it will probably hire a financial advisor. There were some control variables which were negative significant which denotes a negative relation with the acquirer hiring a financial advisor, but with significant affect as: form, target tech industry, target public, acquirer public and friendly attitude.

Table 4.1. Descriptive statistics and correlations matrix

Correlations

	Mean	Std. Deviation	1	2	3	4	5	6	7	8	9	10	11	12	13
1 Acquirer_Financial_Advisor	0.20	0.398	1.000												
2 Deal_size_>50mm	0.18	0.381	0.358	1.000											
3 Acquirer_experience_quantity	7.85	12.017	0.068	0.079	1.000										
4 Form	2.95	1.437	-0.067	0.011	0.055	1.000									
5 Relatedness	0.52	0.499	0.037	0.021	-0.003	-0.071	1.000								
6 Acquirer_tech _industry	0.05	0.214	-0.012	-0.038	-0.019	-0.067	-0.013	1.000							
7 Target_tech _industry	0.06	0.245	-0.007	-0.056	0.036	-0.028	-0.080	0.559	1.000						
8 Target_public	0.14	0.350	0.130	0.222	0.048	0.300	0.054	-0.041	-0.037	1.000					
9 Acquirer_public	0.28	0.451	0.110	0.188	0.318	0.083	0.148	-0.031	-0.027	0.251	1.000				
10 Target_Financial_Advisor	0.20	0.402	0.270	0.334	0.067	-0.026	-0.027	-0.013	-0.019	0.056	0.014	1.000			
11 FA_both_sides	0.08	0.276	0.609	0.375	0.006	-0.051	0.032	0.024	-0.005	0.123	0.111	0.596	1.000		
12 Friendly_Attitude	0.89	0.317	0.060	-0.072	-0.220	-0.345	-0.084	0.051	0.024	-0.438	-0.209	0.032	0.041	1.000	
13 Control_acquisition	0.74	0.439	0.096	0.007	-0.071	-0.190	-0.008	0.054	0.042	-0.217	-0.208	0.078	0.065	0.314	1.000

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.2 includes the results of the logistic regression for the dependent variable: acquirer financial advisor. Models 1 to 4 test the hypotheses. Model 5 is the complete model. Model 1 includes only the control variables and test the hypothesis 1a, which says that the acquirer firms are more likely to hire a financial advisor when acquiring control of the target. We test H1a suggesting positive relation between the acquiring control and the acquirer hiring financial advisor. A negative and significant coefficient (β=-0.7371, $p<0{,}01$) denotes that the affect is contrary to our predictions: acquiring control weakening the probability of hiring a financial advisor.

Model 2 tests hypothesis 1b, which says that the positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is stronger when the deal size is bigger. We test H1b suggesting positive relation between the acquiring control and the acquirer hiring financial advisor is stronger when the deal size is bigger. A positive and significant coefficient (β=1.566, $p<0{,}01$) confirms that the probability to hire a financial advisor increases when the acquirer is buying a sizeable target. This moderating relation mitigates the prior negative relation between the control and the hire of financial advisor (Gardner et al., 2017).

Model 3 we test the hypothesis 1c, which says that the positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is weaker when the acquirer has previous experience. We test H1c suggesting negative relation between the acquiring control and the acquirer hiring financial advisor is weaker when the acquirer has previous experience in M&A transactions. A positive and significant coefficient (β=0.024, $p<0{,}01$) confirms that the probability to hire a financial advisor increases when the acquirer has a previous experience in this kind of strategic transaction. This moderating relation also mitigates the prior negative relation between the control and the hire of financial advisor (Gardner et al., 2017).

Finally, we test the Model 4, which we test the Hypothesis 1d, which states that the positive relationship between acquirer firms hiring a financial advisor when acquiring control of the target (per Hypothesis 1a) is weaker when the acquirer and the target act in a relatedness industry. We test H1d suggesting negative relation between the acquiring control and the acquirer hiring financial advisor is weaker when the acquirer and the target act in a relatedness industry. We found a positive and insignificant coefficient for this hypothesis (β=0.0883, $p>0.1$) and thus we fail to confirm H1d.

This is prima facie evidence that the affect of an acquirer hiring a financial advisor is not necessarily related with buying control of the target. Actually, in deals which the target bought less than the control (50% of the target) they tend to hire more the financial advisors. However, we found that bigger the deal size, more the acquirer, which is buying control, tends to hire a financial advisor. Other important discover was that more experience the acquirer has in M&A transactions more they tend to hire a financial advisor, when buying control. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t motivate the acquirer in hiring a financial advisor, when buying control of the target. We can conclude that buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor.

Table 4.2. Logistic regression results: acquirer financial advisor

Logistic regression for the acquirer financial advisor

	Model 1	Model 2	Model 3	Model 4	Model 5
Deal_size_>50mm		1.566 ***			1.6025 ***
Acquirer_experience_quantity			0.024 ***		0.0263 ***
Relatedness				0.0883	0.1225
Control_acquisition	-0.7371 ***	-0.7310 ***	-0.7172 ***	-0.7367 ***	-0.7043 ***
Form	-0.1234 ***	-0.1196 ***	-0.1248 ***	-0.1199 ***	-0.1186 ***
Acquirer_tech_industry	1.0143 ***	1.0498 ***	1.0504 ***	1.0408 ***	1.1255 ***
Target_tech_industry	-0.3561 *	-0.5334 ***	-0.4070 **	-0.3895 **	-0.6403 ***
Target_public	-1.2945 ***	-1.0309 ***	-1.3448 ***	-1.2982 ***	-1.0945 ***
Acquirer_public	-0.4248 ***	-0.2415 ***	-0.2013 **	-0.4156 ***	0.0224
Target_Financial_Advisor	19.4857	19.9145	19.6338	19.4801	20.1400
FA_both_sides	-42.4882	-42.4687	-42.6693	-42.4853	-42.7137
Friendly_Attitude	-0.8956 ***	-0.9334 ***	-0.9483 ***	-0.9173 ***	-1.0355 ***
Year dummy	Included	Included	Included	Included	Included
Constant	22.718	21.621	22.462	22.557	21.065
n	7596	7596	7596	7596	7596
R^2	0.51	0.54	0.51	0.51	0.55
chi-square test	17.9	23.5	28.9	18.4	13.3

Note:***p<0,01, **p<0,05, *p<0,1.

4.6 DISCUSSION AND FINAL REMARKS

In this study, we analyze which is the impact of the complexity of the M&A transaction can influence the acquirer firms’ hiring financial advisors in acquisitions in Brazil.

Specifically, we scrutinize whether the acquirer hires financial advisor or not. We argue that the acquirer is more likely to hire a financial advisor when acquiring control of the target. We also propose that deal size, the acquirer previous experience and the relatedness of the counterpart’s industry can influence this relation. Our main findings point that the affect of an acquirer hiring a financial advisor is not necessarily related with buying control of the target. In deals which the target bought less than the control (50% of the target) they tend to hire more the financial advisors. However, we found that bigger the deal size, more the acquirer tends to hire a financial advisor, when buying control. Other important discover was that more experience the acquirer has in M&A transactions more they hire a financial advisor, considering the control acquisition. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t motivate the acquirer in hiring a financial advisor when buying a majority stake.

Possibly buying a target, independent of acquiring or not the control turns the deal complex. In these instances, a financial advisor may be a viable alternative. That is probably the reason we were able to confirm that buying a target, even if it is a minority stake the hire of financial advisor is bigger. Otherwise it can be very risk and expensive for the stakeholder if the transaction fails. Even though the advantages are extensive, including synergies, market share expansion, growth rates, new resources and potential new business (Zollo, 2003).

Other point we were able to check is that bigger the deal size, more the acquirer tends to hire a financial advisor. This probably occurs because of its complexity and the need to have a financial advisor to evaluate the deal correctly. The financial advisor payments are linked with the success of the transaction and also with the need of the managers of their ability in the entire process (Russo & Perrini, 2006).

Other important discover was that more experience the acquirer has in M&A transactions more they hire a financial advisor. This finding implicates that who already had an M&A transaction knows how it is complex and difficult to complete the transaction. The executives involved on the transactions may sometimes not be aligned with the firm’s strategic goals and also don’t have the previous experience that would be needed to achieve transaction successful. Administrators with previous experience have already participate on this kind of transaction, make the chances higher of the transaction be faster and completed. However, the lack of these process ability induces the managers in looking for external advisor, hiring the financial advisors (Zollo & Singh, 2004).

And finally, we found the relatedness of the industry between the acquirer and the target doesn´t demotivate the acquirer in hiring a financial advisor. That happens probably because the industry of the target being the same of the buyer doesn´t make the M&A process simple and less complex adding value to the investors or shareholders. Ismail (2010) found that this expertise high quality financial advisors use to have more experience in finding potential targets, which could add value to the M&A transaction and also add better return to the M&A transaction.

This study contributes to the literature on the impact of the institutional environment in the process of hiring a financial advisor, because such experts have the know-how and experience needed for the deal not to denigrate outsourced assistance. The financial advisor ability to do the entire process, can enhance the added value for the stakeholders by providing a more accurate process, achieving the initial goals (Zollo & Singh, 2004). The financial advisor payments are linked with the success of the transaction and also with the need of the managers of their ability in the entire process (Russo & Perrini, 2006).

Our results confirm that buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor. Hence, there is as contribution on the perception of the Financial advisors have been shown to play an important role in reducing information asymmetry and the transaction costs involved in a transaction (Servaes & Zenner, 1996).

In some instances, the acquirer's lack of experience by Dikova et al. (2010), it is classified as problem for not completing the transaction, because it includes misidentification of asset complementarities, assessment of the target value and market, among other potentially adverse conditions for the success of the transaction. However, some research check on the advantages on hiring high status financial advisors, if they could really accomplish synergies, potential gains and value added on the transaction (Bao & Edmans, 2011). Our results confirm that acquirer firms are more likely to buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor.

As our results have shown the size of the deal is an important proxy for its complexity and it influences directly on the decision of hiring a financial advisor. As the value of an M&A transaction increases, the financial advisor needs to use a greater amount of resources in helping to ensure the success of the deal. Other important discover was that more experience the acquirer has in M&A transactions more they hire an advisor, probably because they already know how complex the transaction can become. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t demotivate the acquirer in hiring an advisor. All these aspects make the role of the financial advisor very important for a success M&A deal.

This study seeks to maximize the internal validity by assuring rigorous control of the data collection, which can be replicable in other studies. It also establishes a trustworthy cause-and-affect relationship as we analyze which is the impact of the complexity of the deal influences the hire of a financial advisor. On the external validity point of view, we consider that it refers to the extent to which our results can be applied (generalized) to other countries for example. Future studies in different rising economies, or economies, or with other target countries than Brazil, could offer a higher understanding of how the complexity, in terms of acquiring control, size, previous experience and the relatedness industry between the counterparts can influences the hire of an advisor.

4.6.1 Research limitations and future directions

This study has limitations. First, the limitations imposed by insufficiencies in the available data that unable additional analyzes. For instance, it would be relevant to consider if the target had previous experience in M&A transactions. We only considered previous experience of the acquirer company.

Moreover, the target's lack of experience with acquisitions and lack or absence of prior experience in the transaction may inhibit the confidence of stakeholders in the deal. The financial advisors tend to reduce problems in accomplish the transaction due to their ability in this kind of service and also due to their previous experience with other companies Other problems may include misidentifying complementarities of property, determining target value and market, among other potentially adverse conditions for the transaction's success (Dikova et al., 2010). Future research will possibly require data collect on the previous experience of the target.

Other limitation considerations the transactions made in Brazil. Although we tend to believe that these markets cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of other countries.

Future studies in different rising economies, or economies, or with other countries, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

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5 FINAL REMARKS

The Table 5.1 describes the Contributory Matrix (CM), with the summary of the obtained results for each of the three studies made on this thesis, including its limitations and proposal for future studies. Hence, with the objective of understanding some aspects which will affect on the hire of a financial advisor, when considering a M&A transaction, the thesis question was *Which is the impact of country aspects, financial advisors' reputation and deal complexity will affect on the hire of a financial advisor, when considering a M&A transaction?* And finally, it has an integrated conclusion where we can check that the main goal was achieved and more the theorical contribution of this thesis.

Table 5.1 - Contributory Matrix

RESEARCH QUESTION **Which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction?**			
MAIN GOAL **Analyze which is the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction.**			
PARTICULARIZED CONCLUSION			
Studies	**Summary of results**	**Limitations**	**Proposal for future studies**
Study 1	Our results confirm that: acquirer firms are more likely to hire a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance	Limitations imposed by insufficiencies in the available data that unable additional analyzes. Other limitation considerations the main target on acquisitions within the BRICS.	Future studies in different rising economies, or economies, or with over five target countries, could offer a higher understanding of

	between the countries. And, that acquirer firms are more likely to hire a global financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.	Although we tend to believe that these markets cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of EEFs apart from these 5, that are more and more actively collaborating in M&A transactions.	however acquirer rent their monetary advisors once increasing into institutionally less developed countries.
Study 2	The findings confirm that when both parties hire a high-status financial advisor there are greater chances that M&A is completed. Moreover, the better tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition, making it faster. Finally, contrary to expectations, if both parts hire a boutique advisor the duration of the pre-M&A process tends to increase, and the M&A take longer to be completed. These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction.	Limitations imposed by insufficiencies in the available data that unable additional analyzes. Other limitation considerations the main target on acquisitions within the Brazilian transactions. Although we tend to believe that Brazilian market cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of world transactions, that are more and more actively collaborating in M&A transactions.	Future studies in different rising economies, or economies, or with over Brazilian transactions, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.
Study 3	Our results confirm that: buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor. Actually, larger the deal size, more the acquirer tends to hire a financial advisor, when considering acquisition control. Other important discover was that more experience the acquirer has in M&A transactions more they hire an advisor,when	Limitations imposed by insufficiencies in the available data that unable additional analyzes. Other limitation considerations the main target on acquisitions within the Brazilian transactions. Although we tend to believe that Brazilian market cowl a spread of economic and institutional development levels, researchers are also curious about acquisitions from the massive range of world transactions, that are more and more actively collaborating in M&A transactions.	Future studies in different rising economies, or economies, or with over Brazilian transactions, could offer a higher understanding of however acquirer rent their monetary advisors once increasing into institutionally less developed countries.

	considering acquisition control. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t motivate the acquirer in hiring an advisor, when considering acquisition control.		

INTEGRATED CONCLUSION

Many studies were made on the main theme "M&A", and many others tried to understand what motivates the company to hire a financial advisor, however they haven´t focused in some drivers which I did on this thesis. With the accomplish of the three studies, the thesis, I was able to analyze which is the impact of country aspects, financial advisors' reputation and deal complexity affect on hiring of a financial advisor, when considering a M&A transaction. That is how I contribute to the literature, evaluating aspects which were not studied as I did. I indeed evaluated which is the impact of the institutional image of the target country, and the home-host distance influences the hiring of financial advisor; analyze which is the impact of hiring financial advisors, by their reputation, influence the completion and duration of M&A´s transactions and finally analyze which is the impact of the deal complexity influence on the hire of a financial advisor. In all the studies I confirm that country aspects, financial advisors' reputation, and deal complexity influence on the hire of financial advisors. These aspects must be considered by academics, managers, companies, and financial advisors itself, when studying or engaging on a M&A transaction.

For a financial advisor, this thesis, can indicates which clients they should invest on. As the number of financial advisors are growing each year, the competition gets harder. For example, when considering advising a CBA, probably they must consider the institutional and the geographic distance between the counterparts, searching for greater distances. That will increase their chances to be hired by an acquirer. They must make some effort on this deal structure and not on the lower geographic and institutional distance.

And finally, when considering a domestic M&A financial advisors must consider to enhance their reputation on the M&A rakings, because probably if a acquirer wants to complete the deal and make it faster they will check on the recent M&A rankings. Nevertheless, financial advisors should prefer when the other counterpart has a financial advisor because this tends to accelerate the transaction and it enhances their chances of having a transaction completion.

Other aspect that must be considered when prospecting clients is the complexity of the transaction, as a financial advisor they should check on bigger deals, they probably will have more chances of being hired as a financial advisor. This can dismiss the financial advisor spending time and money on smaller deals, because they will probably not be needed. A complexity aspect that should be considered is the previous experience of the acquirer, the more experience they have more they need a financial advisor. Financial advisors should focus on consolidating companies.

In a nutshell a financial advisor must prospect new clients for CBAs in the countries which the institutional and geographic distance are greater. And for domestic deals, they should really focus on being at the top level of the M&A transactions and should prospect on greater deal sizes and probably with the consolidating companies.

This thesis shows its originality and also its practical implications for the author, working on as a financial advisor on an Investment Bank.
THEORICAL CONTRIBUTION The international business literature developed to explain the M&A transactions are cost economics (TCE) and Institutional Theory. The Institutional theory can explain in somehow M&A transactions, offering a complementary theorical lens for this type of strategic transaction, which the company search for fast and efficient growth at the market (Moschieri, 2014). In the thesis I contributed to the Institutional Theory, more specifically with the theory of cost economies, because it all of the three studies we analyzed that companies tend to hire financial advisors in order to accomplish M&A deals, implicating in more efficiency in terms of the duration, completion, reducing the CBA costs and also reducing the deal costs when getting complex deals.

Source: Costa, Ramos e Pedron (2019), adapted by the author.

The three studies made on this thesis were able to contribute with the theorical literature, aggregating a point of view of the impact of country aspects, financial advisors' reputation and deal complexity on the hire of a financial advisor, when considering a M&A transaction. Each independent study had it is own method and its sample, which made this thesis very rich in terms of diversity of existing data. Many studies were made on this main theme “M&A”, and many others tried to understand what motivates the company when hiring a financial advisor, however they haven´t focused in some drivers which I did on this thesis. That is how I contribute to the literature, evaluating aspects which were not studied as I did. I analyze which is the impact of country aspects, financial advisors' reputation and deal complexity will affect on the hire of a financial advisor, when considering a M&A transaction. In the thesis I contributed to the Institutional Theory, more specifically with the theory of cost economies, because it was analyzed if companies tend to hire financial advisors in order to accomplish M&A deals, implicating in more efficiency in terms of the duration, completion, reducing the CBA costs and also reducing the deal costs when getting complex deals.

5.1 Practical Implications

On those three studies I examine which is the impact of country aspects, financial advisors' reputation and deal complexity will affect on the hire of a financial advisor, when considering a M&A transaction. In terms of practical concerns in Investment Bank and boutiques reality we can focus on the customers that will probably hire us as a financial advisor. Including the need of having a very top reputation the M&A rankings.

On the first study our results confirm that the acquirer firms will probably hire a financial advisor in the host country (target´s country) to advise on the CBA when the institutional distance is greater. It was confirmed also that acquirer firms prefer to hire a global financial advisor when the geographic distance between the countries is greater, on CBA. This signalizes that financial advisors, who are considered local ones, could be hired as a financial advisor in the acquirer's country to advise a cross-border acquisition the greater the institutional distance between the countries. However, if a financial advisor is considered a global one, it could be hired as a financial advisor to advise a cross-border acquisition the greater the geographic distance between the countries.

On the second study the findings confirm that when both parties hire a high-status financial advisor there are greater chances that M&A is completed. Moreover, the better tier classification, when we have financial advisors in both sides can also affect the completion of the acquisition, making it faster. Finally, contrary to expectations, if both parts hire a boutique advisor the duration of the pre-M&A process tends to increase, and the M&A take longer to be completed. These results indicate that high status financial advisor with a better tier classification can improve the completion of the M&A transaction. This signalizes that financial advisors should invest in the reputation of their names, investing in deals, training a team, hiring top advisors on the market, investing in advising many deals to be in the top of an M&A ranking.

Finally on the third study our results confirm that buying a minority stake of a target combined with a more complex transaction in terms of size and more previous experience the acquirer company has more it will have more chances to hire a financial advisor. Actually, larger the deal size, more the acquirer tends to hire a financial advisor. Other important discover was that more experience the acquirer has in M&A transactions more they hire an advisor. And finally, we found the relatedness of the industry between the acquirer and the target doesn´t demotivate the acquirer in hiring an advisor. This signalizes that financial advisors will probably be hired as financial advisor when the complexity of the deal is higher. It means that they should seek for customers considering the deal size.

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